

E.C.  
1939

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# BUSINESS WEEK

WEEK  
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American ships roll down to Rio as war and winter turn trade and travel south.

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Warner & Swasey plant, midnight, November 16, 1939

*There's no  
Blackout  
Here*

• To help you meet today's sudden new responsibilities, Warner & Swasey has gone on a 24-hour-a-day basis—producing modern turret lathes that give you more accurate production, faster. We have increased our own facilities as well as our man-power, doing everything possible to serve you promptly.

Now that the uncertainty is over and everyone's duty is plain, we can buckle down to the job with a

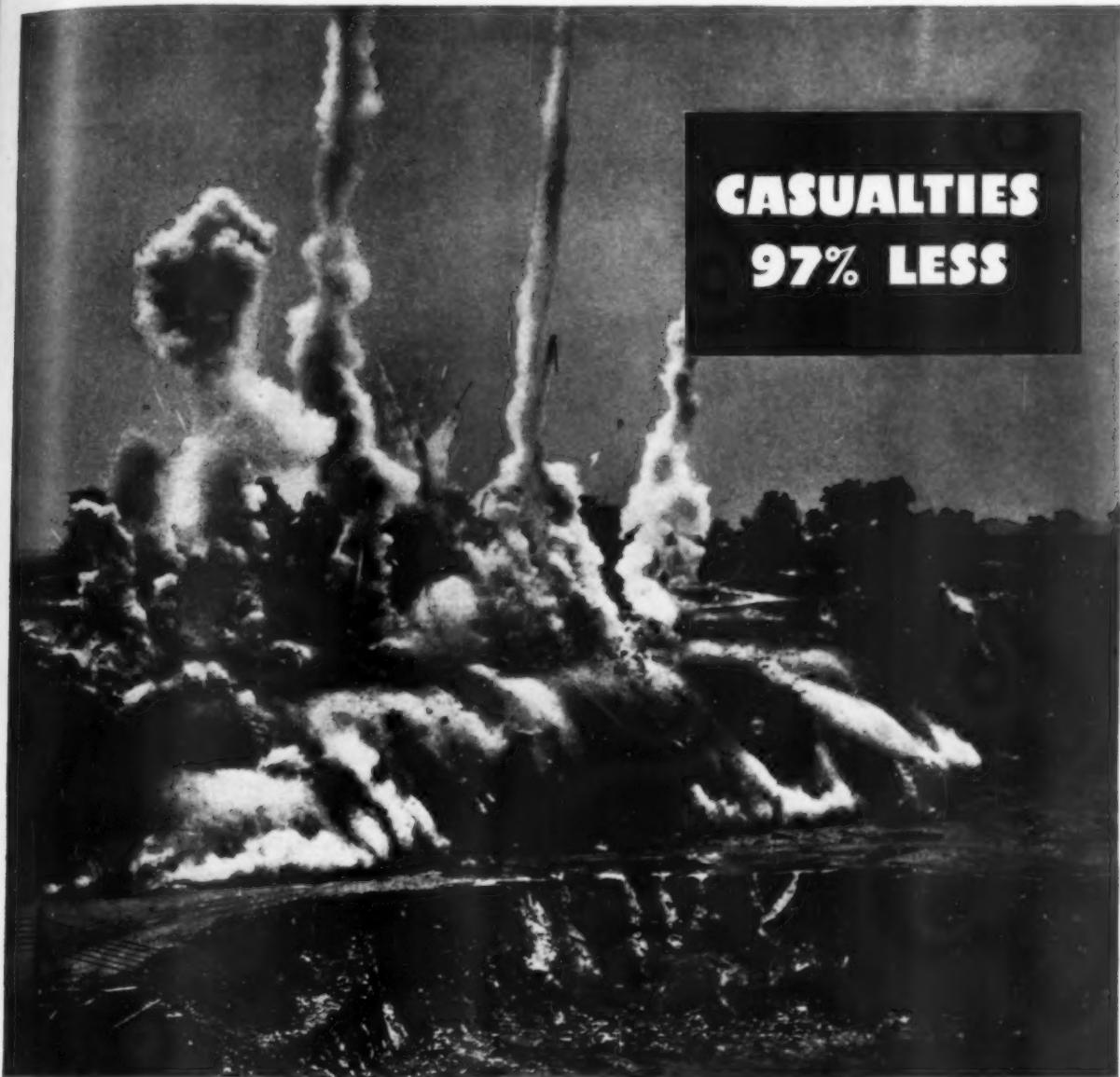
clear conscience and with perfect assurance in the successful outcome. America's job is to produce. New Warner & Swasey Turret Lathes will do just that—help you produce more, with greater accuracy, with far less scrap loss, and at lower cost.

In modernizing your plant today, you make yourself better able to fulfill your obligations now—and you put yourself on a low-cost basis to be more able to meet the needs of a rebuilding world when peace does come.

**WARNER**  
&  
**SWASEY**  
Turret Lathes

Cleveland

YOU CAN TURN IT BETTER, FASTER, FOR LESS... WITH A WARNER & SWASEY



The illustration is of a dynamiting operation in a Southern quarry, insured by American Mutual.

Just as dynamite behaves for men who know its whims, so will an industry's inherent dangers withhold their fury for men who know the industry's habits. In a quarry where sincere efforts have been made for years to reduce accidents to workers, American Mutual — with mining engineers on its staff of safety consultants — reduced in three years the man-hours lost due to injuries by 97%.

When American Mutual first came into the picture through workmen's compensation insurance, its engineers noticed lax methods of safety supervision. Operating men, willing to promote safety, hadn't the proper training. American Mutual's job was to institute an educational campaign equipping superintendents and foremen to recognize unsafe practices, apply corrective measures.

#### DIPLOMAS WITH DIVIDENDS

Because American Mutual's engineers know the mechanics of industry as well as safety principles the campaign was successful. As an example of their strategy, they stimulated workers' interest in accident prevention through a first aid class, conducted by an American Mutual engineer holding an instructor's certificate from the U. S. Bureau of Mines. Today, almost 300 workers hold U.S. Bureau of Mines Certificates in First Aid.

Each certificate is a token of the profits this firm receives — through safety consultants who know the policyholder's industry. Lower insurance costs and increased operating efficiency result from safety plan-

ning. And the cash dividend, earned regularly by all policyholders on practically all forms of personal and business insurance, has saved at least 20% on premium costs.

Read how other firms have profited three ways with American Mutual. Write for a free copy of "How 12 Companies Made \$1,247,299.96"; address Dept. W-6, 142 Berkeley Street, Boston, Mass.



*get 3 profits with  
American Mutual*

# New Problems in Investment



The problem of proper investment, never a simple one, is further complicated by the uncertainty of world markets in these difficult days. ¶ If you are concerned over what currently may be sound investment policy as distinguished from speculation, we should like to tell you how our Custodian Management Service endeavors to deal with this problem. ¶ The Custodian Management Service of City Bank Farmers Trust Company is directed by senior officers who have available research information compiled by a large and experienced staff. They may be of great help and benefit to you.

## City Bank Farmers Trust Company

CHARTERED 1822

*Head Office: 22 William Street, New York; Uptown Office: Madison Avenue at 42nd Street; Brooklyn Office: 181 Montague Street*

*Information may also be obtained through any branch of The National City Bank of New York*

## THIS BUSINESS WEEK



Moore-McCormack Lines, Inc.

"See the Americas Now," is the U. S. tourist industry's slogan this year—because they know you can't see Europe. Americans spend about \$250,000,000 annually in European travel, but, as the winter travel season gets into full swing this year, the resorts and the transportation companies and travel agencies on this side of the Atlantic are preparing to divide that \$250,000,000 up among themselves. Of course, an industry that took in \$5,170,000,000 last year, and expects to take in pretty nearly \$6,000,000,000 this year isn't too excited about an extra quarter billion—but it isn't peanuts either. The war is doing its share to send Americans rolling down to Rio, to Puerto Rico, the Caribbean, and Mexico, around to California and Florida, and up North to the winter resorts—but the real reason for the U. S. travel boom is increased prosperity. News about the record season that's expected, and where—page 16.

### New England

THE NEW ENGLAND COUNCIL, an organization representing all six New England states, was organized back in 1925. New England had hit an industrial low. Her textile industries, shoe factories, and paper-making plants were heading out for fresh fields, where labor was cheaper or raw materials were handier. Then the six New England states, each eligible for the title of the most individualistic in the U. S., joined together in the New Eng-

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land Council to work for their common good. Last week it held its 15th annual conference. What went on then, and what's been going on since 1925—page 23.

### Neutrality

THE U. S. NEUTRALITY LAW is in full operation, but there are still a lot of questions about it. For example, who are "belligerents"? When and what is the "zone of combat"? Do you know what "military goods" are? To what ports in Europe can U.S. vessels still operate? How is business with Canada affected? A full set of questions and answers reduces the law to its simplest terms on page 44—"The A-B-C of the Neutrality Law."

### German Exports

ENGLAND this week moved to confiscate all the German exports she could lay her hands on, in a drive to starve out Germany which parallels the one she conducted in the last war. The threat to neutral shipping and what effect the drive will have on U.S. business—page 41.

### TNEC

THE GENERAL PRICE HEARINGS to be inaugurated by the Temporary National Economic Committee next week will serve as a general reminder from the Administration to business to keep prices in line—or else. How the monopoly committee keeps its eye on prices and what it expects to do about them in the hearings beginning next week—page 15.

### Newsdaily

HARTFORD, CONN. is going to get a new daily newspaper early next year—out of the ordinary on two counts. It will be departmentalized and written after the style of *Time* and *Life*, and it will be printed, not by the traditional letter press-stereotype, but in offset lithography—which will mean it can run plenty of pictures without incurring the costs that usually rule them out for the small newspaper. Why publishers and the printing equipment industry are watching the experiment—page 24.

### Utilities and Upturn

HOW THE ELECTRIC UTILITIES are contributing to the increase in industrial activity—and why their contribution will be important for about 18 months—page 20. In 1938, the public utilities had an expansion budget of \$433,000,000. It was only a little under that for this year, and now the 1940 estimate promises to top '39 by about 30%. It's going to hit \$550,000,000 at least, may even be the highest since 1930.

### Kinkead

ANOTHER NAME joins the long list of processes for coating metals with other metals—the Kinkead process for alloying the surfaces of carbon steel sheets and shapes with coatings of stainless steel or other metals—page 32.

## WHY ANTI-FRICTION BEARINGS?



ONE OF THE FUNDAMENTAL REASONS FOR USING ANTI-FRICTION BEARINGS

- To minimize time-outage. To get accurate performance when a machine is back in service. To save expense! That is why perfect inter-changeability of anti-friction bearings is so important. And that is why more and more machine designers are specifying ball bearings—New Departure ball bearings.

Every New Departure ball bearing is a precise duplicate of every other of the same number—both in physical dimensions and in load-carrying capacity. Hundreds of checks on steel quality and tests of parts in process assure extreme uniformity—which allows perfect inter-changeability.

For interesting brochure, BW8, "Precision from the Surface In... Endurance from the Center Out," write to New Departure, Division of General Motors, Bristol, Connecticut.

### They Look Alike—and they are alike



New Departure Ball Bearings of the same size and type look alike—and they are alike! Take a thousand of one size from stock in as many cities and the shaft or housing that fits one will fit all. And remember, too—New Departure service life is just as uniformly high.

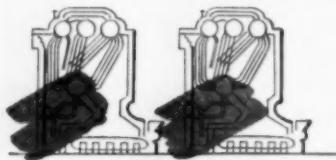
# NEW DEPARTURE



NEW DEPARTURE... PIONEERS FOR FIFTY YEARS



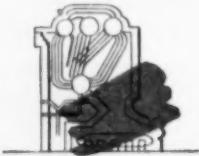
**SAVES ONE COMPANY \$65,000**



**A LARGE MANUFACTURING COMPANY**  
needed additional power. Tentative figures indicated the need for two boiler installations totalling around \$150,000.



**ENGINEERING AND CONSTRUCTION**  
**DIVISION** of Koppers Company was asked to make a power survey for the plant, before this expenditure was made.



**KOPPERS ENGINEERS** recommended methods of conserving steam which enabled that company to get all the additional power with one boiler installation costing about \$85,000.00.

**LET KOPPERS SOLVE YOUR PROBLEMS**

Koppers will be glad to consult with you on any problem involving steam or electric power installations, or any fields in which Koppers products are used. Koppers products include: Coal and Coke, Coal Preparation Systems, Coke and Gas Plants, Boiler and Industrial Electric Power Stations, Industrial Chemicals, Creosote, Municipal Incinerators, Castings, Special Machinery, American Hammered Piston Rings, D-H-S Bronze, Fast's Couplings, Tarmac Road Tars, Roofing, Waterproofing, Ships, Barges.

Koppers Company, Pittsburgh, Pa.

**KOPPERS**

## NEW BUSINESS

### Employee Policies

A CANADIAN FIRM, the Northern Electric Co., Ltd., has not only promised to reemploy its men who enter the service, but will also continue to pay up to half their wages to make military pay equal to what they earned as civilians.

Vacations depend upon dividend payments in a new labor contract between the C.I.O. and the Package Machinery Co., Springfield, Mass. If a \$1 dividend is declared, the workers get one week's vacation and a \$2 dividend means a two weeks' vacation. The board of directors of the company has the discretion over vacation lengths if dividends are less than \$1.

### Railroads

AIMING at highway competition, the Gulf, Mobile and Northern Railroad offers the "Auto Load" ticket which provides a round trip for five people, but costs only four round trip fares. "Why have Car Crowd?" the railroad asks. "Plan your next football trip to go via G. M. & N."

Four years ago Lionel Corp. was selling three Diesel-type toy trains for every two steam trains. However, sales figures this year indicate a sharp reversal in popularity; 20 conventional steam train models are being sold for every streamlined one.

### Convention Guide

"THE ANNUAL Schedule of Shows and Exhibits for 1940" has just been released by the Exhibitors Advisory Council, 120 Greenwich St., New York City. Complete data on 350 shows for next year are given and, in addition, 37 shows are listed for which dates and locations are not as yet available.

### Bird Call

A PLAN to make the call of the bob white as familiar on a city's streets as a scissors-sharpener's bell will soon be tested in Philadelphia, New York, Westchester County, and Massachusetts. A new, door-to-door merchandiser of frozen food will equip its salesmen with special bob white whistles, its delivery trucks with bob white horns. Name of the company: Bob White Frosted Foods, Inc.

### What's New?

THIS WEEK Mark Cross Co., New York leather manufacturers (655 5th Ave.) began to market a new type of glove which can be worn on either hand. Called the "Crosswise," both palm and back are the same size and shape and the thumb outline is part of the pattern. In conventional "right and left" gloves, the back is larger than the palm and the thumb is

generally sewn on separately. A sale for single gloves, to replace the lost half of a pair, is foreseen.

Uncommonly long frankfurters (12-in.) are being sold for a dime a piece by the Renfro Drug Stores, Austin, Tex. The length of hot dogs is arbitrary and varies from manufacturer to manufacturer, but most hot dogs are between three-in. and seven- or eight-in. long.

### Letters

THE TENSION Envelope Corp., 345 Hudson St., New York, has succeeded in getting Post Office Department approval for a new type of special delivery envelope. The design is a border of green and yellow dots. "Special Delivery" is printed on the face of the envelope.

Concurrently, Whitehall, Inc., New Haven, Conn., has introduced the "Mail-O-Gram," the envelope of which has instructions to the postmaster printed on the flap. He is asked to route it either by air mail or train—whichever happens to be faster.

### Child Survey

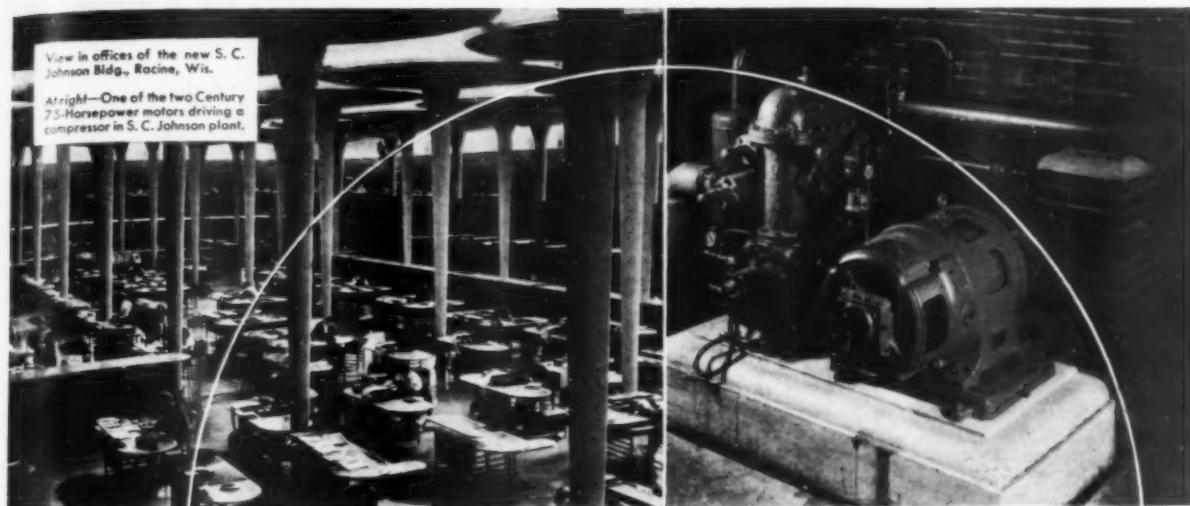
BOYS AND GIRLS 13 to 14 years old were queried by *Young America*, a weekly news magazine for children, on their opinions and buying habits to "find out what Youth is worth to the advertiser." Nine states were included in the survey, the second which the magazine has run, and 3,000 of the returns were tabulated by International Business Machines Corp. About half own bikes, have had them for an average of 2½ years a piece. In 99.4% of their homes there are radios and the children state that, on the average, they listen to 16 programs a week. More than half of those who play musical instruments play the piano. The favorite subject in school is, surprisingly enough, arithmetic.

### Our Times

TO KEEP its street car conductors and motormen looking trim, the Toronto Transportation Commission has placed full-length mirrors in each divisional car house. Without any prompting, the uniformed men are giving themselves the once-over on the way out to work. Shoe-shine boxes have been placed near the mirrors.

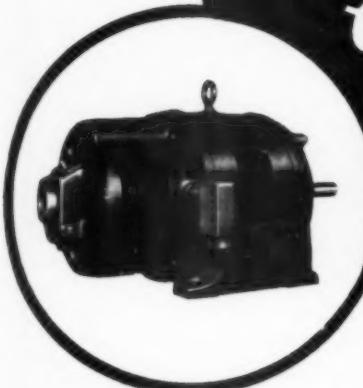
### Rolls-Royce

IN A LETTER to the London *Times*, the managing director of Rolls-Royce, Ltd., states that his company has temporarily discontinued the manufacture of automobiles and will use all its facilities to produce airplane engines. Advertising will continue, however, "to keep the public informed of our activities and thus preserve our goodwill for the future."



## Added Proof of the Value of

# Century Specified Motor Performance in Air Conditioning



TWO 75-horsepower Century Slip Ring Induction Polyphase Motors were selected to drive two refrigeration compressors in the air conditioning installation in the new building of S. C. Johnson & Son, makers of Johnson's Wax, at Racine, Wisconsin. The air conditioning system was designed and installed by Westerlin & Campbell Company, Chicago, the complete building being designed by Frank Lloyd Wright, internationally famous architect.

Two 15-horsepower Century Slip Ring Induction Polyphase Variable Speed Motors drive the blowers that circulate all of the air supplied to the building through ducts.

Such acceptance by the client, engineers and architect responsible for this famous building, is added recognition of the value of Century's Specified Motor Performance applied to air conditioning.

Century is proud to have played a part in the construction of this landmark in the field of industrial building design. Century Motors are available in a wide range of types and sizes, from fractional to 600 horsepower.

Century Specified Motor Performance also includes quiet operation, remarkable freedom from vibration, smooth acceleration and exceptionally long life. Century Motors, properly applied to their job, are your guarantee of satisfaction and dependable economical performance.

Century's 36 years of specialized motor design and application experience are always at your service. The Century Motor Specialist nearest you is a valuable man to know. Call him in to discuss your motor problems — today.

### CENTURY ELECTRIC COMPANY

1806 Pine Street      St. Louis, Missouri

Offices and Stock Points in Principal Cities



One of the Largest Exclusive Motor Manufacturers in the World

# A RAMPAGING RIVER

**SWIRLED OVER THESE SOLVENT RECOVERY STILLS  
... WITHOUT HARMING THEIR K & M INSULATION**

The insulated lacquer solvent recovery stills in the Kentucky Color and Chemical Company's plant at Louisville are veterans of the Ohio River flood. Hour after hour, the prying, muddy fingers of the water pressed and probed into the Keasbey

& Mattison insulation with which the stills are encased.

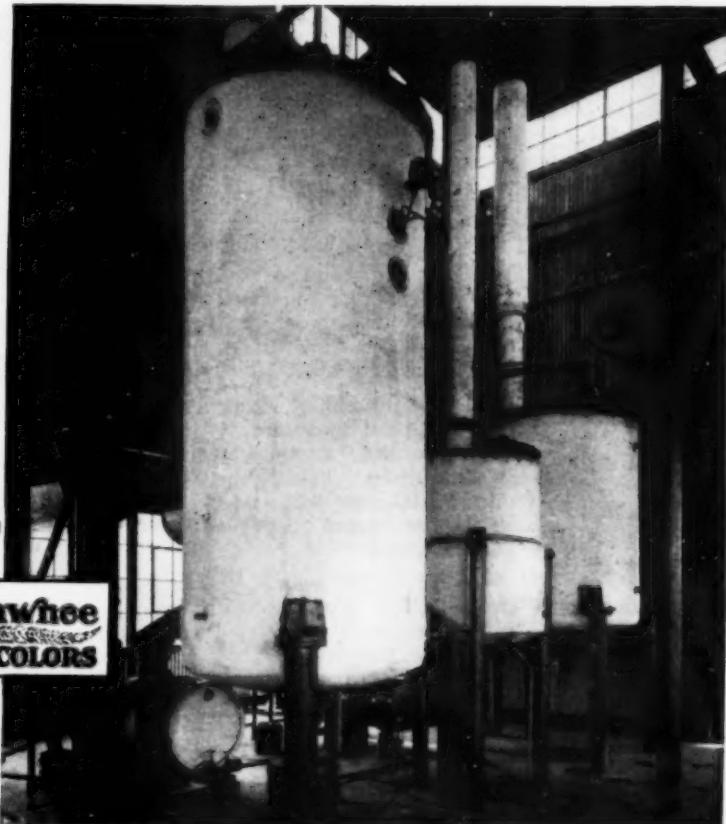
When the river went down, the engineer of the plant went back expecting to find the insulation changed to a worthless, soggy pulp. It was dirty . . . but nothing more. Washed clean, dried, and repainted, it proved as efficient as ever.

Such incidents are not unusual with heat insulation made by Keasbey & Mattison. Flooding of engine and boiler rooms on many occasions has left K & M materials unharmed. Long experience in developing Asbestos and Magnesia

into improved forms of heat insulation has enabled this Company to build products that not only save heat, fuel and money for American industry, but retain their exceptional efficiency under punishing conditions.

Keasbey & Mattison is one of the nation's manufacturing leaders, with a background of insulation experience extending back to 1873. K & M engineers, working with K & M Distributors strategically located throughout the country, can point the way to real savings in your plant, too. Why not write Dept. 11 for further details?

**K & M**  
**ASBESTOS AND MAGNESIA PRODUCTS**



**KEASBEY & MATTISON**  
COMPANY, AMBLER, PENNSYLVANIA



## WASHINGTON BULLETIN

**WASHINGTON (Business Week Bureau)** —The subject of taxes will not down, but inquiry into every phase of the present nebulous situation still warrants assurance that business need not worry about more taxes. On the other hand, business can entertain no hope for removal of present deterrents.

Rank-and-file Congressmen are heartily opposed to any tax legislation next session and leaders have not committed themselves on Roosevelt's suggestion that additional taxes be levied for additional national defense expenditures.

Pay-as-you-go (to war?) has a superficial appeal, but F. D. R.'s proposal for financing defense is regarded as a trial balloon in the maneuver to force Congress voluntarily to raise the \$45,000,000,000 debt limit if it wants to avoid a tax bill in an election year.

### How Much for Arms?

PAY-AS-YOU-ARM raises the important question of ultimate armament expenditures, not those for a single year alone.

The fact is that Roosevelt has no idea what abnormal spending for national defense will be required over and above the extra \$500,000,000 that he will ask from Congress next session.

F. D. R. is thinking in terms of temporary additional taxes to cover those costs but has not settled on whether he should ask for a large sum for one year or a larger sum spread over several years.

### Strong Opposition to Taxes

IN CONTRAST TO ROOSEVELT's present fluid state of mind is the emphatic objection of powerful Democratic leaders to saddling business (or consumers) with more taxes when the industrial machine is showing some speed. They don't want any part in such a move now—and they don't look too far into the future for fear they will see a general sales tax as the only means of financing the New Deal's past, present—and possible future.

### Republicans Want Audit

CLOSED SUPERVISION by Congress of government lending agencies will be agitated by Republicans next session, and they hope for some Democratic aid in an effort to require annual audits and appraisals.

A precedent was set by the Administration itself in 1938 when it secured an audit for the Commodity Credit Corp. In that case, however, the object was to replenish the corporation's capital from

the Treasury, not to tighten control of its spending.

The Republicans' target is the Export-Import Bank. And just possibly they will be bold enough to try making political capital of the fact that Jesse Jones' RFC books have never been audited.

### Trade Pact Foes Gaining

RECIPROCAL TRADE PACT critics now claim to have 57 Senators, eight more than a majority, who will vote against extending the present powers of the President to make such agreements without Senate ratification.

Proposed reduction of the excise on copper in the pending Chilean agreement has brought substantial gains to the pact foes. The Mountain States are thoroughly alarmed, since one mine in Chile has a little more than 20% of the world's known copper reserves and

at the same time is the No. 1 mine in the low-cost field.

### Letting Wagner Act Ride

OVERHAULING of the Wagner Act during the coming session appears even more unlikely than when BUSINESS WEEK first said so (BW—Nov 11 '39 p15). Failure of the House investigating committee headed by Smith of Virginia to get an early start will push the hearings well into next spring. As this will put any action close to adjournment, House leaders are expected to frown on amendment. The issue is loaded with political dynamite, and delay by the committee in making its report will probably satisfy both sides.

The investigation may get under way before the holidays but in any case will start immediately after Congress convenes in January. Hearings will be held on the Pacific Coast and in the Midwest as well as in Washington. The committee will (1) investigate the labor board and all its works; (2) study the economic effects of the law's operation; and (3) frame proposed changes in the law.

### Wage-Hour Tightens Up

THE WAGE-HOUR Administration is going out for faster, quicker enforcement, following the decision by the Chicago district court that Montgomery Ward & Co. must turn over requested employment records to the Wage-Hour inspectors (BW—Sept 9 '39, p52). Meanwhile, the Wage-Hour legal division has issued an opinion indicating a widening conception of interstate commerce, in that intrastate goods such as machinery used in furthering interstate business may be held within the scope of the law.

### Building Trade Checkoff

A.F.L.'s Building Trades Department pooh-poohs C.I.O.'s first contract with an employer group in the construction industry (page 31), but it is watching one feature of the contract—the checkoff—with considerable interest. Because construction men may work for half a dozen employers during a year, collection of union dues through the paymaster has never seemed practical. If C.I.O. makes it work, watch for a similar demand by the powerful A.F.L. outfits.

### Forcing Fair Trade Inquiry

THE FEDERAL TRADE Commission expects to ride out the storm created by the questionnaire sent out in its current investigation of the operation and effects of fair trade laws.

Drug and cosmetic houses suspect that

### Under Orders



Wide World

*F. D. R.'s third budget director since 1933, Harold D. Smith, is tackling a job which was the despair of his predecessors. He was to prepare a 1941 fiscal budget for submission to Congress in January, which (assuming federal revenues continue the same or better) will hold next year's deficit down to \$2,000,000,000. But Congress isn't disposed to sacrifice either WPA or farm benefit outlays to national defense, and total savings possible in ordinary government expenses are not impressive. Already becoming rather threadbare, the Everything - for - National - Defense theme is not popular enough to compel drastic economy in other directions.*

## Manufacturers Find That

**Kimpak\***  
REG. U. S. PAT. OFF. & FOREIGN COUNTRIES  
CREPE WADDING

### Has Many Uses



### See How Its Unique Qualities May Improve Your Product Or Help Cut Manufacturing Costs

• Progressive manufacturers who, for years, have used KIMPAK\* as a packing material are discovering new ways in which it helps to increase profits. For this pure cellulose fibre product has many unique properties which make it an ideal manufacturing material or a substitute for more costly materials.

KIMPAK solves many manufacturing problems because of its high degree of absorbency and porosity to fluids, gas or air; its low density; its laminated structure; its chemical resistance; its flexibility; its ability to absorb sound and retard heat.

KIMPAK may be what you need for that new product you are planning. Mail the coupon below today for a free portfolio of samples.

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FTC is trying to find out what their profit is and are hotly opposed to answering questions about their costs. Whether or not the commission has power to compel disclosure is a nice legal question on which there has never been a clear-cut decision.

Another sore point is the expense entailed in digging down into old invoices for a comparison of prices on specific items before and after resale price maintenance contracts were entered into.

FTC is confident it will win if the trade insists on a showdown and has turned a deaf ear to the plea of the Toilet Goods Association to soften up the questionnaire.

### Drug Law Backfires

DRUG manufacturers are squirming because a squeeze play that was pulled when the new food and drug law was in Congress is now squeezing the wrong way. The bill proposed to let the Secretary of Agriculture determine by regulation what would be adequate directions for use and adequate warnings against use under conditions possibly dangerous to health. Crying "dictator," the industry fought the provision tooth and nail—and won.

Now it's suggesting that the Food & Drug Administration issue advisory notices, lacking the effectiveness of regulations, to guide manufacturers or, at least, that it agree to sit down and give them its views informally. But FDA is hewing to the line, saying when Congress eliminated specific authority to write regulations it said hands off, and hands off it will be.

Manufacturers must decide for themselves what "adequate" means. If they guess wrong, their products will be seized.

### Refinancing Farm Mortgages

A STRONGLY-ORGANIZED effort will be made next session to enact legislation to refinance all government-held farm mortgages and open the door to new ones, on the basis of 3% interest, 40-year amortization, 100% current appraisal value.

The foundation for this undertaking was laid last summer when the Senate by an overwhelming majority adopted the La Follette-Wheeler amendment to the defunct lend-spend bill. That amendment would have granted such mortgages to owner-operators to prevent foreclosure which would force them into the ranks of tenants.

### The Future of Eccles

EXPIRATION next Feb. 1 of Chairman Eccles's term on the Federal Reserve Board has revived rumors that he will not accept a new 14-year appointment. The law permits him to continue in office, however, until a successor is appointed, and his friends say that, at the

### Labor and Trust Laws

HEAVY FIRING from both sides has broken out over the question of applying antitrust laws to labor unions, and a great deal of further argument is expected with probable windup in demands for Congressional clarification.

This week's decision by the Third Circuit Court that the Philadelphia district court erred in assessing C.I.O.'s hosiery union \$711,932.55 triple damages in the Apex Hosiery strike aftermath stimulates the argument. It also makes Republic Steel's chances of collecting \$7,500,000 from the C.I.O. on triple-damage, antitrust action (BW—May 27 '39, p.48) look dubious.

Meanwhile, however, the Department of Justice is continuing its campaign to uncover suspected racketeering by A.F.L. building trades unions, and has been deaf to the federation's protests that labor is outside the antitrust laws.

President's wish, he will stay on at least until next year's election.

### Super-Power Project

ROOSEVELT's new National Power Policy Committee is dusting off the report, never made public, in which Thomas R. Tate of the Federal Power Commission proposes a government-built high tension transmission system serving the entire industrial East. This super-project would extend from the St. Lawrence to Birmingham, Ala., and west to Port Washington, Wis.

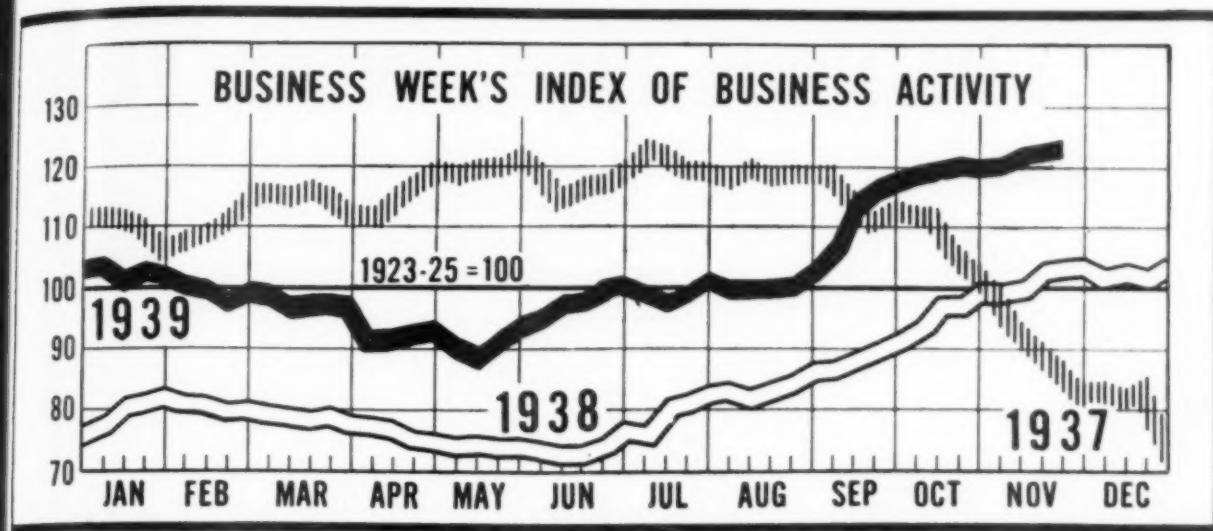
The hydro power of the Niagara, St. Lawrence, Conowingo, and TVA dams would be supplemented by four huge government-built steam plants in the coal fields of Ohio, Pennsylvania, Illinois, and West Virginia. The grid system alone would cost half a billion, the entire scheme two billions.

### Sign of G.O.P. Liberalism

CONVINCING EVIDENCE that the Republican platform will shift to the left—regardless of who heads the ticket—is shown in the new political creed of David A. Reed, for twelve years Andy Mellon's right bower in the Senate.

Reed was beaten six years ago by Joseph F. Guffey. He now hopes to regain his seat, and since Pennsylvania's swing back to Republicanism his chances are considered excellent. Reed would retain the Labor Relations, Wage-Hour, Social Security, and Securities and Exchange Acts, but would shift their administration to assure greater conservatism. Also, he would gear social security assessments to a pay-as-you-go basis.

## THE FIGURES OF THE WEEK



	Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
<b>THE INDEX.....</b>	124.8	124.1	121.6	95.3	105.1
<b>PRODUCTION</b>					
*Steel Ingot Operations (% of capacity).....	94.4	93.9	91.0	82.2	80.7
*Automobile Production .....	72,520	86,700	78,210	67,740	84,930
*Residential Building Contracts (F. W. Dodge, 4-week daily average in thousands).....	\$4,416	\$4,542	\$5,748	\$5,043	\$4,365
*Engineering Construction Awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$11,599	\$11,260	\$10,486	\$9,548	\$9,734
*Electric Power Output (million kilowatt-hours).....	2,482	2,514	2,539	2,205	2,184
Crude Oil (daily average, 1,000 bbls.).....	3,818	3,592	3,499	3,585	3,261
Bituminous Coal (daily average, 1,000 tons).....	1,637	1,784	1,742	854	1,411
<b>TRADE</b>					
*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	79	79	85	68	70
*All Other Carloadings (daily average, 1,000 cars).....	50	52	58	35	39
Check Payments (outside N. Y. City, millions).....	\$4,700	\$4,400	\$4,280	\$3,779	\$4,097
Money in Circulation (Wednesday series, millions).....	\$7,434	\$7,384	\$7,302	\$6,893	\$6,763
Department Store Sales (change from same week of preceding year).....	+2%	+7%	+11%	+7%	-5%
<b>PRICES (Average for the week)</b>					
Spot Commodity Index (Moody's, Dec. 31, 1931=100).....	159.7	160.5	164.1	144.6	141.2
Iron and Steel Composite (Steel, ton).....	\$37.42	\$37.44	\$37.56	\$35.63	\$36.37
Scrap Steel Composite (Iron Age, ton).....	\$18.58	\$19.58	\$20.96	\$14.21	\$14.92
Copper (electrolytic, Connecticut Valley, lb.).....	12.500c	12.500c	12.500c	10.000c	11.250c
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$0.86	\$0.86	\$0.83	\$0.78	\$0.63
Sugar (raw, delivered New York, lb.).....	2.98c	3.03c	3.06c	2.90c	3.00c
Cotton (middling 3/4", ten designated markets, lb.).....	9.45c	9.39c	8.90c	9.40c	8.62c
Wool Tops (New York, lb.).....	\$1.154	\$1.154	\$1.156	\$0.860	\$0.828
Rubber (ribbed smoked sheets, New York, lb.).....	20.37c	20.16c	20.39c	16.39c	15.74c
<b>FINANCE</b>					
Corporate Bond Yield (Standard Statistics, 45 issues).....	5.63%	5.67%	5.63%	5.74%	5.74%
U. S. Bond Yield (average of all issues due or callable after twelve years).....	2.40%	2.47%	2.51%	2.13%	2.51%
U. S. Treasury 3-to-5 year Note Yield.....	0.60%	0.63%	0.65%	0.40%	0.72%
Call Loan Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	% %	% %	%-% %	%-% %	% %
Business Failures (Dun & Bradstreet, number).....	191	223	207	252	191
<b>BANKING (Millions of dollars)</b>					
Demand Deposits Adjusted, reporting member banks.....	18,918	18,604	18,721	16,955	15,916
Total Loans and Investments, reporting member banks.....	23,092	23,014	22,657	21,673	21,306
Commercial and Agricultural Loans, reporting member banks.....	4,388	4,362	4,292	3,837	3,869
Securities Loans, reporting member banks.....	1,117	1,085	1,103	1,258	1,276
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	11,131	11,127	10,854	10,310	9,811
Other Securities Held, reporting member banks.....	3,344	3,338	3,324	3,238	3,192
Excess Reserves, all member banks (Wednesday series).....	5,170	5,170	5,530	4,304	3,353
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,645	2,715	2,771	2,576	2,587
<b>STOCK MARKET (Average for the week)</b>					
20 Industrials, Price Index (Standard Statistics).....	120.9	123.8	125.8	111.8	124.8
20 Railroads, Price Index (Standard Statistics).....	32.7	33.8	34.9	27.9	29.9
20 Utilities, Price Index (Standard Statistics).....	69.3	70.1	70.1	67.2	63.5
20 Stocks, Price Index (Standard Statistics).....	99.0	101.3	102.8	91.7	100.1
Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares).....	673	680	1,031	730	1,007

\* Factor in *Business Week Index*. \* Preliminary, week ended Nov. 25th. + Revised | Date for "Latest Week" on each series on request.

# HOW A \$500 INVESTMENT RETURNS 190% EVERY YEAR

**PROBLEM** — In the coal tower of a certain gas company, the grab bucket hoist makes two to three round trips per minute. For every minute of operation this means four to six applications of the brake—one at each end of the travel. A very severe duty! With the type of electric brake in use, the brake wheel had to be removed and machined every few weeks. This and other items contributed to a maintenance cost that was unsatisfactorily high.

**SOLUTION** — After an analysis of the problem, General Electric application engineers suggested the use of a thruster type electric brake. This was installed some three years ago, at a cost of \$500.

**RESULTS** — Smoother operation, more tonnage handled per hour, and maintenance reduced an almost unbelievable amount—from \$1000 to \$50 a year—were the results of the installation. The maintenance saving alone paid for the new brake in less than seven months, and since then has continued to save the customer \$950 a year.

Any reputable equipment will operate—but you obtain the greatest profits *only* when the correct equipment is skillfully applied to your job.

**SUGGESTION** — Perhaps at some point in your plant the cost of maintenance or cost of operation appears high. Or perhaps some point is a bottleneck in your quantity or quality of production. It has paid others astonishingly well to find such problems, which in case after case have had sound electrical solutions. Experienced General Electric sales engineers will gladly co-operate with you, your consulting engineers, or those supplying you with mechanical equipment, in finding a successful solution of your problem—one which will be profitable to you. May we suggest that you start a new search for such problems today? General Electric, Schenectady, N. Y.

CASE NO. 92 TELLING OF OUTSTANDING RESULTS OBTAINED FROM THE USE OF THE RIGHT ELECTRIC EQUIPMENT

**GENERAL ELECTRIC**



060-78

# BUSINESS WEEK

December 2, 1939

## THE BUSINESS OUTLOOK

**Domestic considerations rule immediate outlook.**  
**End of Chrysler strike signifies not only increase in auto output but more temperate union activity. Stock market seems to be discounting first-quarter decline.**

THE DOMESTIC ECONOMY is beginning to split up into its separate parts—or rather the separate parts of the domestic economy are beginning to shape up individually out of the whole. This is a distinct change from September and early October when the war was still the dominant influence on business and everything—under the impact of war—was moving up. But this week's dossier of news significant to the outlook embraced several items, each important in its own right: settlement of the Chrysler strike; reaffirmation of steel prices for the first quarter; persistent weakness in steel scrap and hogs despite strength in commodities as a whole; more backing and filling in the stock market; offering of a \$500,000,000 long-term 2% Treasury bond issue at the same time that the Federal Reserve Banks continued to liquidate government holdings.

### Auto Sales to Spurt

Most dramatic event, of course, was the ending of the Chrysler dispute. This means a rapid step-up in the rate of automobile production from around 80,000 cars a week to more than 100,000; it also means a quickening of automobile sales, which for the months of October and November have been running so far ahead of production that factories, not including Chrysler, have been anywhere from two to six weeks behind on orders from dealers.

### A Chrysler Victory

The strike probably will not ultimately reduce total output of 1940 models. Some Chrysler sales drifted to other makes; some purchases were put off. But it hardly seems likely that any substantial number of automobile buyers definitely stepped out of the new car market because Dodges or Plymouths were not available. However, the loss of earnings to a concentrated group of workers—particularly just before Christmas—may have some effect on retail sales in Detroit and surrounding areas.

But, even more significant than this loss of purchasing power is the way the settlement will affect future operations of the union. The union's gains were so nominal that the strike can be called a

Chrysler victory. And that suggests that, in its coming negotiations with General Motors, the United Automobile Workers (C.I.O.) will be less extreme in both methods and demands. The slowdown has definitely been repudiated (though not publicly) by bigwigs in the C.I.O.

### Demand Uneven

There is a puzzling anomaly in commodity price movements which bears watching. The Moody spot price index has been declining for a month while the Dow-Jones index of futures prices has been rising. This is partly because the Moody index includes steel scrap and hogs and the Dow-Jones index does not. Both hogs and scrap have been decidedly soft in recent dealings and the weakness in a basic raw material for steel and a basic foodstuff implies that the over-all demand for commodities is anything but evenly spread.

Hogs, of course, have been in a bad statistical way for some time with a heavy over-supply, and they have not only lost all the post-war gains but have dropped under their Aug. 31 price to a new low since 1934. Thus, hogs might be described as a "special situation." In steel, however, the drop in scrap—it has

lost more than half its advance since the war began—is probably tied in directly with production rates in the industry and the action of the steel makers in affirming prices for first quarter delivery.

### Not All TNEC

Confidential sources indicate that new orders for steel are not up to current production schedules, which stand around 95% of capacity. Though backloggs are certainly sufficient to carry the industry through this year without any slump in the rate of ingot output, it has become fairly clear that next year a decline is inevitable—unless there is a renewed spurt of buying. Thus steel mills have not had any real incentive to buy scrap in quantity.

That not only explains the weakness in scrap but it suggests that TNEC was not the whole reason why the United States Steel Corp. felt hesitant about posting price advances for the first quarter of 1940. To put up prices in the face of a fall in orders hardly is calculated to sustain operations. And yet, paradoxically enough, posting of prices whether up or down, would automatically slow up the pace of incoming orders. Once buyers are assured of prices for another three months, there is no rush to get on the books.

### Stocks and Bonds

The successful flotation by the Treasury of long term 2s again indicates that if the trend of interest rates is up, it is

### Out of the Outlook—the Chrysler Strike

SETTLED AT LONG LAST, the 54-day Chrysler shutdown was only a bad taste in Detroit's mouth as this week closed. Both management and labor at Chrysler suffered heavily during the tieup, the company from millions of dollars of lost sales, the workers from eight weeks' missing paychecks, totaling \$14,000,000. Final settlement granted the United Automobile Workers a 3-cent hourly wage increase in various divisions and improved grievance-handling machinery, under a joint appeals board of two men from each side, but the corporation stood firm against the union shop and joint setting of production standards. Arbitration will be a future talking point, not granted in the new contracts but

possible if both sides agree on it in future deadlocks.

Neutral observers figure that Philip Murray of the high command in C.I.O. gained prominence, while Detroit leadership of U.A.W. lost ground. Murray moved in this week after nearly two months' fruitless argument, and speedily reached an accord with President K. T. Keller of the corporation. Consensus in C.I.O. circles was that the "slowdown" of production which featured the tieup cost the union a good deal of public sympathy, and that it would not be repeated elsewhere. Next big labor discussions in Detroit will take place in General Motors plants, where the C.I.O. seeks contracts to exclude A.F.L. influence.

up only very tentatively. Certainly, the sidewise action of the stock market suggests no violent switch away from fixed income securities into equities; and it cannot all be attributed to foreign selling.

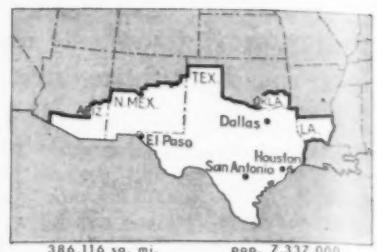
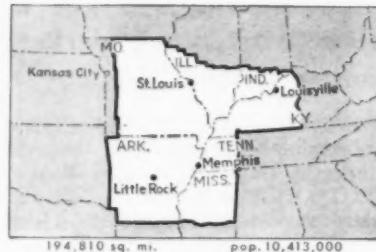
The stock market, apparently, is taking seriously the expectation that early next year (BW—Nov 18 '39, p14) business

will slump. But one thing seems fairly certain. The market has spent a lot of time discounting the business decline, and after the decline gets under way, don't be surprised if stocks go up instead of down.

Incidentally, there have been reports interpreting the sale of government

bonds these last months by the Federal Reserve Banks as an indication that the monetary authorities have started to curb the boom. That sounds plausible, but a far more logical explanation is this: that the Reserve is merely unloading the bonds purchased to support the government market early in September.

## The Regional Business Outlook



**BOSTON**—With orders on hand 10% above the 1929 peak, robust payrolls in New England are assured for several months, even though the production curve has begun to flatten out.

Backbone of current activity is still the durable goods industries. Bookings for industrial equipment, tools, and machinery have risen to an all-time high, more than making up for moderate drops in shoes and woolens. Conspicuous "war baby" of this area is the aviation industry, which, as elsewhere in the country, is bursting with domestic and allied orders.

### Mixed Trends

In the consumer goods lines trends are mixed. Boston and Brockton shoe manufacturers are feeling out trade reactions to the higher prices on spring lines before stepping up production from current low rates. But despite this waiting policy, they are confident that new business will reappear before the January shoe fairs.

At 80% of capacity, cotton textile mills have been eating into backlog, but September's heavy bookings will cushion operations into the new year. And with wool prices averaging 50% higher than last year, a shift in use away from this material is a threat. But Rhode Island and New Hampshire factories are still active and the easing in demand has so far been slight.

Maine leads the district in the retail sales recovery. Price increases for potatoes and other crops have lifted farm income there. Its important paper industry is working overtime to meet the unusual demand occasioned by curtailment of Scandinavian shipments. The state's cotton mills are operating at the best rate in the area; Rhode Island's are second.

**ST. LOUIS**—It is stock-taking time in this widely diversified district. Farmers are planning next year's crop schedules, and manufacturers are watching retail trends before undertaking further production increases.

Some industrial lines, however, continue to expand. Another 2,000 men have been added to payrolls in the coal fields. Construction activity generally, and residential building, in particular, are up. And whereas in New England, shoe production has been in a lull, St. Louis plants are running above last year's rates.

November rains have improved pasture, and few farmers will face hardships in caring for their stock this winter, since abundant feed has already been stored. Farm income has been close to 1938, which was a pretty good year in most states here.

### Kentucky Income Down

But Kentucky is still the weak spot of the district. Rejection of marketing quotas by burley tobacco growers last year not only resulted in overproduction and low prices, but also cut into government payments. As a result, farm income is off about 15% from last year. However, higher operating rates in Louisville's diversified manufacturing plants have somewhat counterbalanced the agricultural loss, and retail sales in that city match the district's average gains. Better demand for Kentucky whisky and coal has also supported buying power.

In Illinois, the oil potential continues to confound experts. Within the last few weeks, two new pools have been discovered; and of greater significance, two new producing horizons have been opened up in the Salem pool—at a depth of less than 4,000 feet.

**DALLAS**—Merchants are counting on Christmas trade to top last year's by a substantial margin, despite a succession of disappointments.

European demand for petroleum products for war purposes so far has been meager, and no sharp expansion in employment of the highly-paid oil well and refinery workers is in sight—particularly since the Texas Railroad Commission regards stringent proration as the solution of the crude price problem. Turkey income has been below expectations because the crop was late in maturing for Thanksgiving. More important, the drought has forced premature sales of cattle for lack of good range.

### Wool and Mohair

Chief farm income this winter will come from livestock marketings, but the good prices now prevailing for steers probably will be insufficient to make up for the depleted number of livestock available for market. Returns from wool and mohair have been especially good. The rise in the price of cotton toward the end of the picking season helped to offset the short Texas crop, and AAA benefit payments probably will bring the year's total agricultural income for the district up to last year's.

In Cameron and Hidalgo counties in the lower Rio Grande Valley, another large citrus crop is due this winter, which partly explains the low price. Already this Reserve district is the second largest grapefruit and third largest orange producer in the country. Yet 90% of the trees have not matured into full production. Since 1936, steady increases in fruit tonnage moving out of Brownsville, Texas, have more than tripled shipping activity of that Gulf port.

## Checkup and Crackdown on Prices

**Encouraged by "success" in keeping steel price down, TNEC will use hearing to scare all business out of price boosts. Close tab kept on quotations.**

**WASHINGTON (Business Week Bureau)—**This week when the United States Steel Corp. announced that present prices would be continued for the first quarter of 1940—with only moderate adjustments on a few items—the Temporary National Economic Committee took a bow. Even if proper acknowledgment is made of the influence exerted on steel prices by such factors as the high operating rate, the monopoly investigating committee feels that it can claim considerable credit for averting an increase by putting the heat on steel men at its recent hearing (*BW—Nov 18 '39, p15*).

On the basis of its first "success," TNEC is encouraged to believe that equally effective results can be secured by applying the same technique in other industries where there is a recognized price leadership exercised by a few companies. Certainly, the general price hearings which TNEC inaugurates Monday, Dec. 4, will serve to highlight for all business the Administration's determination to keep prices in line. It will seek to raise a psychological deterrent to price increases by throwing a scare into business men that they may be called on the mat later to justify price boosts.

Pursuant to the President's request of Sept. 29 that it maintain "constant surveillance" of the price situation, TNEC has issued two summaries. The first, dated Nov. 5, noted that "many of the price increases since the end of August reflect speculative buying rather than any basic change in consumer demand or cost structures." On Nov. 20, TNEC reported that prices in their upward movement were apparently entering a second-

ary phase in which the element of speculation was less significant. TNEC noted, however, several commodities that had shown important increases.

For example, concerning an increase in the price of superphosphate from \$7.50 (Baltimore basis) to \$8.50 per ton, the committee had this to say:

"There has been no recorded change in price for either phosphate rock or sulphuric acid, which are the two raw materials used in the production of superphosphate. Both these materials are produced in the United States, and are not dependent upon imports. The price of super-phosphate is now as high as at any time since the summer of 1930, while the price of phosphate rock is 39% below its 1931 level."

Again, TNEC noted that the price of quinine sulphate rose 6% during the week ended Nov. 11, but it added that this coincided with the government's request for bids under the Strategic Raw Materials Act which may have affected the market.

### Scrutinize Price Boosts

These periodic price summaries, according to TNEC, imply no judgment whatsoever as to the merits of particular price increases. However, the commodities that are likely to be mentioned are those on which the committee's staff doesn't see any reason for the price advances reported.

TNEC's eyes in this scrutiny of the price situation are a group of young researchers headed by John Hamm from the Russell Sage Foundation where he had been working in the field of con-

sumer credit. In NRA days, Hamm was Leon Henderson's assistant on research and planning, and Henderson—formerly TNEC's executive secretary—is still its production manager. Working with Hamm is Theodore J. Kreps, who previously helped to work up TNEC's inquiry into the housing situation. Other price checkers are Saul Nelson and Walter Keim in the Labor Department, Don Humphries in the Commerce Department, Fowler Hamilton in the Department of Justice, and Willis J. Ballinger in the Federal Trade Commission.

This squad is picking off price statistics wherever it can get them. Isador Lubin's Bureau of Labor Statistics is, of course, a primary source. In addition to the regular monthly reports issued for years past, BLS now is making a daily price index of 30 sensitive commodities.

TNEC's staff singles out commodities which are moving and tries to find the reason for the increases. It may be low inventory, change in freight rates, sinking of a ship, or stoppage in imports.

### Careful About Their Charges

So far TNEC's sleuths have found no instance of profiteering pure and simple. Several situations are reported to be "pretty hot" but before calling an industry to account on a charge of profiteering, TNEC's staff wants to be sure it will stick. If it looks like a good case, the files of the business concerns involved will be examined by Department of Justice or Federal Trade Commission agents and then, contingent on the results of this search, the industry representatives will be subpoenaed for hearing. The government will submit its evidence and the industry will be given a chance to explain why prices were increased.

Next week's general hearings will be of an entirely different stripe than those which may follow into specific situations. To blast the assumption that prices now must follow the 1914 trend, Lubin of Labor Statistics will describe what happened to prices this time and last and Willard Thorp of the Commerce Depart-

### Renewers

**Sen. Burton K. Wheeler of Montana and Wendell L. Willkie of Commonwealth & Southern Corp., both mentioned as Presidential candidates, will be banquet speakers at the 44th Congress of American Industry, sponsored by the National Association of Manufacturers, at the Waldorf-Astoria Hotel in New York, Dec. 6-8. Big job of the 1939 Congress will be "to develop a renewed public understanding of the philosophy of the American system."**

Harris & Ewing Photos





*Two star attractions for U.S. winter travellers—Sun Valley for hot bloods, Miami for cold.*

ment will explain the whys and wherefores.

Three purchasing agents will be lined up to tell the story of the various effects of price increases:

(1) On city budgets. Russell Forbes, Commissioner of Purchases for New York City, will warn industry that it must be prepared for an increase in local taxes if prices go flying.

(2) On institutions, such as universities, hospitals, orphanages.

(3) On industrial buying as a whole. George Renard, executive secretary of the National Association of Purchasing Agents, will tackle this job.

(4) On an industry, such as automobiles, in which there is a close inverse relationship between volume and price. This assignment still is open.

(5) On an industry that is dependent on foreign sources of materials controlled, more often than not, by foreign governments or cartels. A wool man is wanted to tell this story, for TNEC expects the British government's action in corraling wool supplies will bring forth a demand from the domestic industry that something be done about it.

#### **Probe Effects of Allied Buying**

TNEC's object is to find out to what extent Allied buying in this country and elsewhere is upsetting business here, and to invite discussion of policies that might be adopted by this government to remedy the situation. The buying practices of our own government also will be examined with a view to applying correctives against unnecessary disturbance of commodity markets and prices.

TNEC also is planning a field day for retailers. A department store man will tell the story of what happened in the last war. And the retailers can be counted on to paint a picture of price-and-profit pyramiding that occurred before the goods ever reached their shelves.

TNEC will espouse the proposition that retail profiteering is a local problem which local groups, cooperating with local authorities can combat more effectively than the federal government (*BW—Sep 23 '39, p15*).

## **Americas Ready for Travel Boom**

**Pickup in tourist industry attributed to new prosperity rather than effect of war itself. Record winter season expected in both North and South.**

"SEE THE AMERICAS NOW" has become the slogan of the tourist industry, and winter travel ads are implying the obvious qualifying clause, "Because you can't go to Europe." Optimistic members of the trade already hear the \$250,000,000 that Americans spend annually on the other side of the Atlantic clinking in their pockets, and resorts, transportation companies, and travel agencies in the Western Hemisphere are preparing for a record winter season.

Actually, the deflected European travel won't amount to much more than pin money to an industry which took in \$5,170,000,000 in 1938 and will probably top \$5,500,000,000 in 1939. (W. Bruce Macnamee, head of the Department of the Interior's United States Travel Bureau, believes this year's figure may reach \$6,000,000,000.)

Despite predictions that the war will make 1940 a boom year for American travel, members of the trade admit privately that the war's chief value to them is as a focal point for advertising. Travel expenditures are expected to reach a new high, but the real reason lies at home—in increased prosperity. Americans spend annually 7% of their national income on travel, and travel goes up when income does.

Last summer the New York and San Francisco fairs boomed travel in the West and East, but were very sour grapes for resorts off the main routes (*BW—Jun 3 '39, p15*). Most of these spots are looking now to a good winter season to make up for a slack summer and a bad winter last year. Recent prosperity means that many who did not have money for vacations last summer have it now, and predictions of a 10% to 20% increase in winter travel are common.

Cynics point out that the 1939-1940

season can't help being better than 1938-1939. Business depression and the impending fairs combined to make last winter a low for recent years. Northern resorts were particularly hard hit by a small snowfall which cut winter sports programs in half.

Time was when "vacation" meant "summer." Today increasing numbers of Americans are taking time off in the winter; summer watering places are doing double duty as ski lodges, promoters of the desert and the tropics are busy reminding Northerners that they can be sun-tanned in January.

The customary high-powered publicity differs from that of former years in that it hinges chiefly on peace and safety, with the usual sun, snow, and atmosphere playing second fiddle. Southern resorts naturally reap their profits first because the snow season doesn't really get under way until Christmas.

#### **Miami Expects Plenty of Company**

'Florida, where resort communities are spending from 15% to 25% more to advertise their charms this year (some small ones are getting out promotional material for the first time), gives indications of going into a boom that may not fall far short of that in the middle 1920's. Building in Miami is going at a rate the city has not seen since 1924-1926. To fill the new apartments, hotels, and houses, the city expects 2,000,000 visitors this winter, an increase of just under 100% over last season's 1,021,000.

These optimistic figures are based on transportation lines' reports of bookings, which they say are being made earlier than at any time in 10 years. The Atlantic Coast Line and Florida East Coast Railway are increasing their services, adding streamliners; Eastern Air Lines is

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"I should like 10 extra copies for distribution to the supervisory force of our organization."

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# Burroughs

already running extra sections, is planning seven flights a day to Florida from New York and three from Chicago. The Seaboard Railway's New York office reports bookings 100% to 300% ahead of last year.

Mexico, another "sunshine" region, expects to capture a lot of the tourists who would ordinarily go to Europe. Automobiles are crossing the border at the rate of 5,000 a day (in contrast to 3,000 a day at this time last year). And eight out of every 10 of these are going over the Pan-American highway between Laredo and Mexico City, which is being pushed rapidly toward Central America.

#### **Mexico Draws More Business**

The Mexican National Railways, in cooperation with the Mexican Tourist Association, are waging an intensive advertising campaign, concentrating on newspapers in the Middle West. Passenger traffic on the Mexican railroads is running better than 30% ahead of last year; Eastern Air Lines are instituting direct sleeper service to Mexico City Jan. 1. American Express plans a series of "Land Tours" for the first time, and estimates are that, before the end of the season, travel to Mexico will be three times what it was last winter.

Travel to South America and the Caribbean gives indications of measuring up to the most optimistic predictions. With the withdrawal of belligerent ships from service, the remaining lines are working double time. Two new services have been added, the Chilean Service on the West Coast and the Merchants and Miners run between Miami and Nassau, where bookings have been running particularly high.

The Grace Line reports that its passenger traffic in October was 39% higher than for the same month last year, and the new American Republics Line did 150% better in the first six weeks of its second year of operation than it did in the first six weeks of its first. Pan American Airways, which carried 18% more revenue passengers in the third quarter of 1939 than in the same period of 1938, finds that its \$6,000,000 expansion program comes at an opportune time.

#### **Offers "Sunshine of Peace"**

Puerto Rico is advertising heavily its "Sunshine of Peace". On the tail of a \$20,000,000 building boom, made possible by the investment of money taken out of Spain during the recent civil war, it is likely to come in for a good share of the Southern tourist business.

Bermuda, though specifically exempted in the Neutrality Act from the area blacked out for American shipping and travel (BW—Nov 4 '39, p16), is not doing so well as a result of its belligerent status, despite valiant efforts to keep its usual winter trade.

An important phase of the South American and Caribbean travel picture

is the great increase in number of tourists from below the Equator who are coming to North America this year.

Winter sports, newest craze of American vacationists, should do better than ever, if prayers for snow are answered, and high class resorts are preparing to welcome those tourists who usually go to Switzerland. Union Pacific is adding a spectacular long ski lift and four new chalets to its \$3,000,000 investment at Sun Valley, Idaho, and expects to increase train service. Two new developments, one sponsored by Southern Pacific, are under way in the northern part of the Sierra Nevada in California, and winter resorts there and in the northwest are increasing their capacities. Building has been slow in New England, but railroads expect record crowds.

#### **Canada Goes After Trade**

Canadian resorts and transportation lines are increasing their advertising from 25% to 30% in hopes of attracting winter sports enthusiasts when the snow starts flying. There has been heavy building during the spring and summer and the \$500,000 Mont Tremblant Lodge, begun a year ago, is already making additions. Not only the Laurentian hostels, but also resorts as far west as Banff and Lake Louise, are anticipating a big winter, with the low rate of exchange on the Canadian dollar helping to bring in American visitors.

#### **Hired by the Supreme Court**



Wide World

**Henry P. Chandler, former president, Chicago Bar Assn., will be the first director of administrative affairs of the federal courts—a new job and new department created by the U.S. Supreme Court, to collect information, report to the high court on the progress of cases in federal courts—work now done by the Justice Dept.**

California has always done well and expects to do better. A group of California resorts, including Palm Springs, Del Monte, the Ahwahnee Hotel at Yosemite, and several San Francisco hotels have plans for a cooperative advertising campaign. Railroads report a 15% to 30% gain in transcontinental travel, and California will get better than a passing glance from travelers to Mexico, the southwest and Hawaii.

#### **Oil Case in the Air**

**Supreme Court split clears 11 defendants, but government is sure to prosecute them again.**

LAST WEEK, the Supreme Court tried its hand at the intricate Madison oil case, and left matters as much up in the air as before. Its decision was as close as could be—4 to 4—as a result of the death of Justice Butler. But the decision means that the defendants in the case will be given another whirl in the courts.

Originally, the Department of Justice hauled 72 oil companies and individuals into the federal court at Madison, Wis., on charges of violating the anti-trust act through conspiracy to fix gasoline prices in ten Mid-Western states (BW—Oct. 19 '37, p15). The jury found 46 defendants guilty. The presiding judge, Patrick T. Stone concurred in the guilt of 17, granted 18 a new trial, and freed 11 on the grounds of insufficient evidence.

His decision regarding the latter 11 defendants was the one brought up for Supreme Court review by the Department of Justice. And the immediate question for the court to decide was whether Judge Stone had the right to rule on the sufficiency of the government's evidence after the jury had delivered its verdict. (Judge Stone had received a request from the defendants to rule on the evidence before the case went to the jury; he decided in favor of 11 of the defendants six months later.)

#### **Waiting for a Five-to-Four**

'Since the Supreme Court split evenly on the matter, Judge Stone's decision stands. This brings ten big oil men and the Globe Oil & Refining Co. of Kansas into the clear. But they won't be for long, because the Department of Justice is sure to bring the case before the court again. However, it's a safe bet it will wait until a ninth justice is appointed to the court, figuring that if he should be a New Dealer, the odds would be five to four in its favor.'

Meanwhile, the 18 defendants granted a new trial by Judge Stone will start from scratch when Thurman Arnold and his trust-busting colleagues get around to prosecuting them. And next month, the Supreme Court will have another decision of Judge Stone to review, the one wherein he found 17 defendants guilty.

# How many kinds of life insurance are there?



1. WHOLE LIFE INSURANCE



2. ENDOWMENT INSURANCE



3. TERM INSURANCE

**W**HOLE LIFE INSURANCE is designed to provide permanent protection. It is used most commonly when a man wishes to create an insurance estate for his family which, upon his death, will carry them through the period of adjustment, or provide a sum to help make the future more secure.

► Let us suppose that you wish your family to receive \$1,000 at your death, regardless of when that may be. To accomplish this, you buy a \$1,000 Whole Life Insurance Policy. Your policy will, let us say, be one of 1,000 similar policies.

Each member of the insured group must pay enough each year of his life so that the total amount paid in will enable the insurance company to pay out, over the lifetime of the entire group, 1,000 death claims of \$1,000 each—a total of \$1,000,000.

► In the case of Limited Payment Life Policies, premium payments instead of being spread over a lifetime are concentrated within a shorter period, and are therefore somewhat larger. In either Whole Life or Limited Payment Life Policies, the periodical premiums do not increase as the policyholder grows older, but remain the same each year.

In addition to death payments, a Whole Life Policy also contains other privileges and benefits, which policyholders may, and frequently do, avail themselves of during their lifetimes.

**E**NDOMENT INSURANCE is designed for a man who wishes to provide for a definitely foreseen monetary need, such as the education of his children.

► Let us suppose that you desire an insurance policy that will provide you with \$1,000 at the end of a definite period, say 20 years, or pay your family \$1,000 if you die within that time. To meet this need, you buy a \$1,000 20-Year Endowment Insurance Policy. Your policy will, let us say, be one of 1,000 similar policies.

Experience shows that in this insured group a certain number of people, say 170, will die within the 20-year period... and that 830 of them will still be living at the end of the 20 years. So each member of the group must pay enough each year, so that the total amount paid in will enable the insurance company to pay out, over the 20-year period, 170 death claims of \$1,000 each, in addition to 830 matured endowments of \$1,000 each at the end of the period—a total of \$1,000,000.

► The premiums for Endowment Insurance will be higher than those for Whole Life Insurance, because both claim payments and matured endowments are concentrated within a limited period instead of being spread over the lifetimes of the policyholders.

In addition to the benefits available on maturity, Endowment Insurance carries other benefits which the policyholder may elect prior to maturity.

**T**ERM INSURANCE is designed primarily to meet a temporary need, such as assuring extra funds to pay off a mortgage or to cover a business loan, *in case of death*. This type of insurance provides for the payment of the face value of the policy to the beneficiaries of the policyholder only in case he dies within the period of time specified by the policy.

► Let us suppose that you wish your family to be paid \$1,000 if you die within a definite period, say 10 years.

To meet this need, you buy a \$1,000 10-Year Term Insurance Policy. Your policy will, let us say, be one of 1,000 similar policies.

Experience shows that in this insured group, a certain number of people, say 90, will die within the 10-year period. Therefore, each member of the group must pay only enough, each year he lives of the 10-year period, so that the total amount paid in will enable the company to pay beneficiaries 90 death claims of \$1,000 each—a total of \$90,000.

► Naturally, the 910 policyholders in the group who will still be living at the end of the 10 years, having obtained the protection they desired, will receive nothing more—except certain renewal or conversion privileges included in some policies.

There you have the three basic types of life insurance. Some people will find one type suited to their needs. Others will wish to have more than one type. In addition, many policies include provisions under which the insurance proceeds are paid out in some form of income instead of in one sum.

► Life insurance has been made so comprehensive and so adaptable that, no matter what your specific needs may be, a life insurance program can be shaped to meet them.

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\*This is Number 20 in a series of advertisements designed to give the public a clearer understanding of how a life insurance company operates. In this advertisement, no attempt is made to consider such matters as dividends, reserves, taxes, expenses, etc. These subjects have been discussed in preceding advertisements, copies of which will be mailed upon request.

**Metropolitan Life Insurance Company**  
(A MUTUAL COMPANY)

Frederick H. Ecker, CHAIRMAN OF THE BOARD  
1 MADISON AVENUE, NEW YORK, N. Y.

Leroy A. Lincoln, PRESIDENT



## Electric Utilities Aid in Upturn

**Large orders for equipment being placed as expansion budget bids fair to reach highest figure since 1930. Effect to be felt for at least 18 months.**

THE ELECTRIC UTILITIES are making a substantial contribution to the nation's increase in industrial activity—a contribution which promises to be important for at least 18 months. Sixteen utilities have placed sizable orders for generating equipment since the first of September. Expansion budgets have, in many cases, been stepped up in advance of expectations.

According to *Electrical World's* compilations, the public utilities' expansion budget was \$433,000,000 for 1938 and only slightly smaller for 1939. In 1940 it is estimated that expenditures will be at least 30% higher than this year. Thus it seems probable that a total of at least \$550,000,000 may be expected, and competent observers believe it quite possible that the figure may be the biggest since 1930, topping 1931's \$597,000,000. (The all-time high was \$961,000,000 in 1930.)

It takes time for the equipment manufacturers to build big generators, and it takes time for the companies to complete the stations to house them and the lines to distribute the electric energy which they will turn out. The more generator orders that are booked by the manufacturers, the more congested become the production lines. In fact, a lot of the generators ordered in the last three months probably won't be in operation until late in 1941.

### Prosperity for Manufacturers

That explains why big orders placed now for generating, transmission, and distribution equipment mean large expenditures not only for 1940 but well into 1941 also. It explains, too, why increases of 10% to 200% in orders booked by the electrical equipment manufacturers spell a substantial degree of prosperity for these companies well into the future.

The accompanying chart shows how production of electric energy has forged ahead this year to eclipse the all-time records set in 1936 and 1937. And, just as record production in those years resulted in a sharp rise in orders for all sorts of electrical equipment, such orders spurted in September of this year to the highest levels since late in 1937.

The National Electrical Manufacturers Association index numbers for transmission and distribution equipment orders and for generating equipment and motors rose in September to points almost twice as high as they had been a year earlier. Orders for transmission and distribution equipment during the month

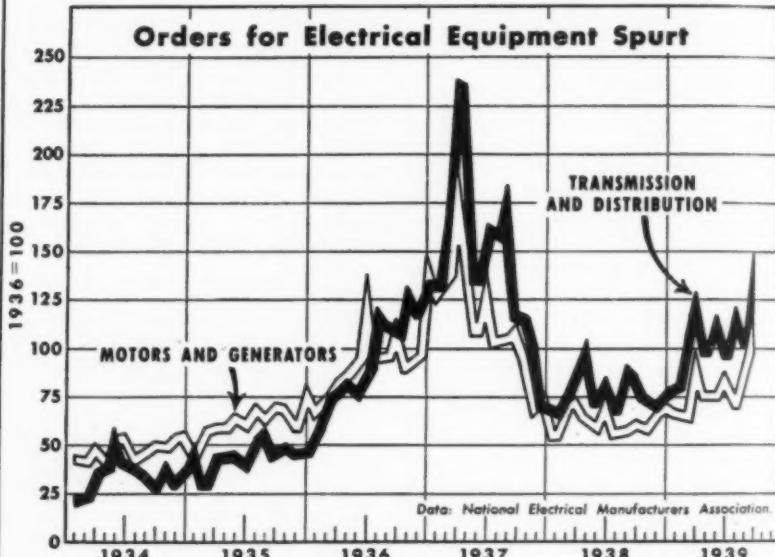
rose a little over 40% and for generators and motors 23%. The October index numbers are not yet available, but in view of the large orders which have been announced since the end of September it is believed that another large rise will be witnessed.

Additional indication of the gain in business is to be had from the third-quarter statements of the three largest electrical equipment makers. General

Electric's bookings in the three months totaled \$79,510,000 compared with \$60,533,000 in the like period a year ago. Westinghouse's unfilled orders on Sept. 30 stood at \$58,337,790 against \$2,342,563 three months earlier and \$45,517,402 on Sept. 30, 1938. Allis-Chalmers' unfilled orders were \$18,335,726 on Sept. 30 against \$17,261,752 on June 30 and \$10,796,270 on Sept. 30, 1938.

Public utilities in 1938 added a little over 1,000,000 kw. to rated capacity, and the final figure on 1939 expansion of capacity will be about the same. In the light of expansion at the rate of 1,000,000 kw. a year for the two years, the high rate of orders recently may be gauged. From the first of September until the middle of November, the utilities had placed orders for generators totaling 684,500 kw. and that doesn't include Philadelphia Electric's

### THE UTILITIES ARE BUYING AGAIN



Date: Edison Electric Institute.

© BUSINESS WEEK

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announced plan for expanding its South Philadelphia facilities, over a period of years, to the tune of \$45,000,000 and 500,000 kw. of capacity.

Over the last ten years the utilities have spent a little more than two dollars on transmission and distribution facilities for each dollar put into new generating

capacity. If it costs about \$300 to buy 1 kw. of generating capacity and make it available to customers, expansion by 684,500 kw. involves a cost of just over \$200,000,000. Presumably that would be divided at about \$60,000,000 for new generating capacity and \$140,000,000 for transmission and distribution facilities.

## Yankee Medicine for Yankee Ills

### New England Council, listing business strides taken by six states, gives unique example of cooperation to lick difficult sectional economic problems.

THE ANNUAL CONFERENCE of the New England Council, held in Boston last week, put on display a unique example of Yankee ingenuity. This association mechanism combines into a single force the power of six grimly individualistic states. It was made to order for a situation.

By 1925 the U.S. was pretty well convinced that New England was licked. Textiles had fled southward leaving miles of silent mills. Shoes were on the move. So was paper-making. Other typical Yankee activities were migrating toward raw material sources, cheap labor, or more advantageous geographical centers. Defeatism had so deeply corroded the flinty Yankee spirit that fathers were saying to sons,

"Go West, go South, go anywhere—but don't stay in New England."

Obviously the danger was common to all the states east of New York. Boston interests had vainly sought united action. But dislike for cultured Boston was so universal that the states refused to fiddle in any harmony directed from the Hub.

#### For Regional Progress

In 1925 the outlook was black indeed. The first and wisest thing the rescue group did was to take the play away from Boston. It passed to the hands of the New England governors who met in Poland Springs, Me., about as far from Beacon Street as they could get. An organization meeting (held in Worcester, Mass.) was attended by 600 representatives from all New England. They spoke for various economic groups. The New England Council was the result.

Here was something new under the business sun. Six old states, touchy, proud and provincial, submerging their individual rivalries for a regional advance. To give all the states full confidence in the group, equal representation was provided. Vermont, with 4.5% of New England's wealth and population, can appoint 18 directors (originally the number was 12), exactly the same as Massachusetts which has 50% of New England's resources.

Most remarkable of all is the docu-



Dudley Harmon, executive vice-president of the New England Council, didn't have time to partake of the Council's pork dinner on "Franksgiving Day," snatched crackers and milk instead.

ment under which the Council functions. The framers became hopelessly bogged in enabling clauses, reservations, checks and balances. By a stroke of pure genius they finally tossed all proposals for a constitution and by-laws out of the window, and decided to go completely flexible.

The Council operates under a loose set of rules that covers less than a single typewritten page. It states in non-legal language that the Council's aim is the solution of common New England problems and the stimulation of united action, describes election of officers, provides that the councillors from all the states shall constitute the conference council, and concludes drily:

"Said council shall have full authority in the administration of affairs . . . and shall exercise the final determination of all the declared policies . . ."

All present at last week's meeting agreed that New England was on the up-trend. No one could say how much was due to general business improvement, how much to armament programs,

and how much to efforts of the New England Council. But the Council submitted a yard-stick of the gains that had been made.

It showed that over 4,000,000 sq. ft. of formerly idle factory space listed with the Council is being returned to productive operation annually; that re-occupancy (plus demolitions) have reduced by over 50% the 63,000,000 sq. ft. listed in the six states three years ago. To say nothing of the 7,411,500 sq. ft. which have been added by new construction since that time.

#### How Council Is Organized

Management of the Council centers in the executive committee consisting of the president, treasurer, chairmen and one assistant each from the six state councils. The first president, John S. Lawrence, did more than any one man to give the association a good send-off. He's a Massachusetts blue-blood, descendant of sea captains and cotton manufacturers. Lawrence, Kans., is named for a forbear. Mr. Lawrence served three one-year terms. Since then two terms have become customary but third terms are taboo. Present president is C. F. Weed, Boston banker.

In 1936 and 1937 the six states turned over to the Council annually \$100,000 for recreational advertising and promotion. The \$50,000 being spent for such work this year is from private sources. No Council funds now come from the states. Money is given mostly by firms and individuals. This year there were 1,700 contributors. The largest single donation was \$2,500, the smallest \$1.67. In all the council will spend about \$115,000 this year.

#### "Hired Man" Makes Good

A thinly organized body, comprising highly competitive elements like the Council can amount to anything or nothing, according to the abilities of its central management. The Council's success is credited largely to its "hired man," Dudley Harmon. He is executive vice-president and the only paid executive. By birth and background he is a natural for the job.

Harmon is a Connecticut-born six-footer with belligerent eyebrows. Washington knew him before the World War as a correspondent for the *New York Sun*. Later he was Washington editor of the *Ladies Home Journal*. Still later he helped Frank Carpenter with his travel books. Other jobs were assistant to the president of the Manufacturers' Association of Connecticut and publicity director for a bond-selling campaign by the New Haven Railroad. He was called in when the governors laid the foundation for the New England Council, becoming ultimately its executive head.

"The Council," says Mr. Harmon modestly, "is about nine per cent efficient."

He thinks the Council's most impor-

tant functions are promotion of New England and stimulation of Council membership. Of equal importance are development of the region's \$500,000,000 tourist trade and industrial inducements. Special contributions make it possible for the Council to advertise factory properties and skilled Yankee labor from time to time.

Council headquarters in Boston has records of every desirable available industrial property in New England. A recent expansion is the Council's new products committee, headed by Dr. Karl T. Compton, president of Massachusetts Institute of Technology. The idea is to develop plants and payrolls from discoveries in New England's famous research laboratories.

#### **They Get to the Point**

Last week's meeting showed the pace to which the Council is geared. The program began at 9 a.m. Thursday, continuing at a speed which allowed little time for convention fooling until 3:30 the following afternoon. There were no resounding resolutions common to business pow-wows. The president merely announced an eight-point program for 1940 which was mostly a continuation of previous activities.

The governors had their say at the first general luncheon session. They are Republicans who believe devoutly in the public thrift appeal which put them into office. It was "Franksgiving." The governors dined ostentatiously on roast pork. While Mr. Roosevelt was not mentioned directly, there were plenty of sly digs at the arch-spender of Washington. Tall, lantern-jawed Gov. Leverett Saltonstall, of Massachusetts presided. Speeches were short and to the point.

In these meetings the Council made its medicine. The real work was done in smaller groups which held to a line and finished up on time.



*C. F. Weed, New England Council president, shakes hands with Gov. Lewis Barrows of Maine. Gov. William H. Vanderbilt of Rhode Island looks on.*

## **Can Daily Paper Be Lithographed?**

**Newspapers will find the answer in Hartford, Conn., where half-dozen youngsters will experiment with method to cut costs on new *Newsdaily*.**

**ROOM 954 AT 650 MAIN STREET**, Hartford, Conn., is messy, poorly-lighted, and small—not over 8 by 16 feet. Half a dozen young people crowd into it these days to work, talk, and make excited plans.

These kids (not one is over 30) are getting ready to start a newspaper. They filed incorporation papers Friday of this week in Hartford. True, somebody is always starting a newspaper; and somebody is forever folding one that failed. But the Hartford paper will be revolutionary—so different in fact that whether it booms or fizzles it may very well mark a step in the evolution of the daily press.

The paper's difference will be twofold: first, in editorial approach; second, in mechanical setup. A quick way of defining the editorial approach would be to say that the new paper will attempt to do on a daily local basis what *Time* and *Life* combined do weekly. More significant to the trade is the mechanical departure—the plan to print in offset lithography rather than by the traditional letter press stereotype.

#### **Follows Up an Idea**

Leader of the embryo publishers is 29-year-old Bice Clemow. For background, he has a spell with the Associated Press, a couple of years with the newspaper trade's *Editor & Publisher*, and a year as a departmental editor with *Time* magazine.

Like most every other young writer, he

thought he'd like to run a country newspaper. He began investigating the field and decided that the trouble with little newspapers is that they don't run pictures. They can't because of the cost of engravings. That led him into offset lithography.

No new method of getting words onto paper, lithography is one of the three basic types of printing. Commonest and oldest of the three is letter press or relief printing, in which the type face is raised and holds the ink until pressure transfers it to paper. The intaglio or gravure process works in precisely opposite fashion. In it, the lines to be printed are cut into a metal plate. After ink has been applied to the whole plate, a scraper removes the ink from the raised surface. And when paper is pressed against the plate, the ink is lifted from the engraved pockets onto the paper.

#### **Back to a Laundry List**

Lithography stands between letter press and gravure, for in it the printing and non-printing surfaces are on the same plane. The story of how man learned that he could print from a flat surface goes back to 1796, when a Bavarian lad named Alois Senefelder stumbled on the process in Munich. One day, as the story goes, his mother asked him to make out the laundry list. Finding nothing better at hand, he wrote the list on a slab of limestone. It happened that he wrote with a greasy crayon. He fell to playing with the laundry list written on stone. He found that when he dipped it in water, the water would adhere to the stone but not to the greasy crayon marks. And he found that when ink was applied to the moistened stone, it would adhere only to the crayon. By pressing a piece of paper to the slab, he found he could pull a faithful reverse "proof."

Today, lithography—which means "writing on stone"—has become in the United States a \$200,000,000 business. It gets a tenth of the printing trade.

In modern practice, lithography has become largely photographic. The first step is to photograph the copy. The resulting negative is printed (in the photographic sense) on a sheet of zinc which has been sensitized similarly to photographic paper. The whole surface of the plate is coated with a greasy ink, which "sets" on the dark portions of the photograph, but remains soluble where light has not affected the sensitized plate. The soluble portions are washed away and

the plate is ready to be mounted on the cylinder of a press.

Modern lithography now makes extensive use of the "offset" principle, which was hatched about 1875 along with the rotary press. Offset printing is indirect. A rubber blanket picks up the ink from the plate and in turn passes it on to the paper. The result of the rubber "kiss" is a softness of reproduction which some like and some don't.

Lithography's greatest single advantage, perhaps, is that it can reproduce pictures almost as cheaply as type matter. No engravings are needed. The only step in reproducing a picture that is not needed for straight line work is to put in the screen that's essential for half-tones by any process.

Hence, lithography has succeeded best in those fields in which the cost of engravings is a commanding factor in the cost of the complete job. Thus, lithography gets the call for outdoor posters, for big point-of-sale displays, maps, labels, and calendars.

Next to its picture possibilities, lithography's greatest advantage is that it does not necessarily require type composition. It will reproduce longhand or typewriter copy as faithfully as it will linotype copy.

#### Venture Provides Real Test

Three years ago, when Bice Clemow was deciding that lithography was the answer to the small newspaper's crying need for pictures—and maybe an answer to rising costs, too, through the elimination of machine-set type—he found that a lot of other people were talking along the same lines. Out of much talk has come some action, until today there are about 20 offset newspapers sprinkled around the country.

But none of these papers has been of a type to set the trade on fire. The Trenton, N. J., *Times-Advertiser* gets out an excellent picture supplement in offset, but this is a weekly section and proves little about daily operation. The Monmouth, Ill., *Review-Atlas* is another daily using offset on the same basis. But most of the lithographed papers are country weeklies or dailies so tiny that their mechanical problems are not typical. The majority use typewriter copy. Some of them hardly look like newspapers. The Hartford venture is important because it affords a competent proving ground for lithography in the substantial daily field.

#### Rounding Up Equipment

In launching his venture, Bice Clemow first went to press and equipment manufacturers, hoping to convince them that one outstanding success with a lithographed paper would mean the end of their sales problem. After much plugging Webendorfer-Wills Co., which is the offset division of American Type Founders, agreed to accept an order for equipment without a down-payment. That broke the ice. Mergenthaler Linotype

A silver flash across the sky

A hurtling mass of steel across the land

A monster mill that rolls steel for Industry

**ALL WITH THE SAME FOUNDATION OF BEARING QUALITY**

Look to the real tough bearing jobs for which **SKF** has been selected to get a true picture of **SKF** Bearing quality . . . to the **SKF** Ball and Roller Bearings on the great liners that span oceans and continents . . . to the **SKF** Bearings on modern railway equipment and the countless thousands of hard-working industrial machines throughout the country.

**SKF** Ball and Roller Bearings offer all industry the very highest development in anti-friction engineering straight from the organization that is the industrial bearing pioneer. Put your bearing problems up to **SKF**.

**SKF** INDUSTRIES, INC., Philadelphia, Pa.

Wear is everywhere — unless you check it with **SKF**

4308

BALL AND ROLLER BEARINGS



**Bice Clemow—in 1796 Alois Senefelder gave him an idea for a paper.**

agreed to cooperate. And International Paper Co. set its experts to work to decide on the paper best adapted to the purpose.

Meantime, Clemow was gathering the nucleus of a staff. One recruit is Francis Goodwin Smith, Jr., editor of the *Princetonian* in 1935, with *Time* for a year and a half. Another is Ellsworth Grant, who was editor only last year of Harvard's *Crimson*, got his name in the papers by marrying Katherine Hepburn's sister. A third is Jonathan Kilbourn, Jr., also a *Time* youngster. Another is Arthur Newmyer, Jr., whose father is associate publisher of the Washington *Times-Herald*. The only one with more than a couple of years of experience is Clarence Grant Taylor, a California journalist who contributes to such publications as *Editor & Publisher*. The average age of the group is around 27.

### Will Be Half Pictures

The paper, to be launched early next year, will be called the Hartford *News-daily*. It will be tabloid size. It will be 50% pictures. It will be departmentalized and written in news magazine style. Ostensibly, Hartford was chosen as the paper's birthplace after exhaustive study of various locations. But since several of the boys come from well-to-do Hartford families, the suspicion is that financing looked easiest there. By incorporation time this week, "the substantial part" of the \$100,000 capitalization had been subscribed and the rest seemed assured. The boys claim that their shareholders form a blue-ribbon panel of Hartford business. The rumor that *Time*-publisher Henry Luce has an interest is without foundation.

Newspapers succeed or fail for many reasons. Hartford already has two big dailies—the *Times*, with a circulation of over 65,000, and the *Courant*, with over 40,000. They are tough competition. And it may be that the boys, while long on enthusiasm, are too short on experience. But whether *Newsdaily* suc-

ceeds or fails, the trade will have a chance to assay lithography. The mechanical setup is costing about \$30,000. Nobody really knows what the operating costs will be, but the hope is that they'll be under normal. Just as important, *News-daily* will demonstrate whether lithography, with its fine-screen picture possibilities, can compete on a speed basis with letter press.

### There'll Still Be Problems

If it will, the news will be the most exciting that newspaperdom has had since Mr. Mergenthaler came along with his linotype. Not that there will be any overnight revolution. For one thing, lithography demands highly-skilled workmen, and there is a shortage of trained artisans. For another, many a publisher won't believe that lithography has arrived for him until a composing typewriter is developed which will turn out work comparable to the linotype.

The present typewriter composers will "justify" copy (line it up on the right-hand side), and they have a wide variety of type faces. But their copy still has a faintly typewritten look. The Vari-Typer, made by Ralph C. Coxhead Corp., has the lion's share of the field at present. International Business Machines has produced a capable machine, but has held it back for more than two years for further development.

Enthusiasts say that perfection of a typewriter composer will mean savings—in equipment and type of labor required—of anywhere from 20% to 40%. That, indeed, would mean resurrection for an industry that has seen costs mount as revenues declined, that has seen 32 daily newspapers suspend operations in the first six months of 1939.

## How Big Are Trucks?

### Despite Ickes' attack, trend is toward stricter limits and more uniformity in state rules.

**WASHINGTON (Business Week Bureau)**—Despite a popular prejudice echoed last month by Sec. of the Interior Ickes in an assault on the trucking industry, trucks are not being built higher, wider and longer. The trend is unmistakably towards lower limits and to greater uniformity in state requirements.

A major influence in this direction has been exerted by the National Conference on State and Highway Safety, which offers "patterns" for state legislation.

As a result of constant efforts towards standardization, a maximum over-all width of 96 inches now is effective in all states. Height is held down to 12½ feet in about half the states; higher and lower in others.

Length limits vary from 26½ feet on single vehicles to 85 feet on combinations, but 35 feet for single units, including

tractors and semitrailers, and 45 feet for combinations are typical. (Since the National Conference first became active in 1924, its recommended limit on combinations has been cut from 85 to 45 feet.) Gross weight limits pose the worst problem as differences are extreme.

Sec. Ickes' proposal that operation of "perambulating monstrosities" be curtailed on Sundays and holidays now is embodied in the laws of several states. South Dakota and Nebraska restrict the operation of oil trucks on Sundays and holidays. Minnesota and Wisconsin curtail truck traffic during week-end peak periods. The American Automobile Association is now preparing a model bill on limitation of trucking over week-ends and during rush seasons.

### ICC Studies the Problem

The Interstate Commerce Commission is bringing out a series of reports on the trucking problem. The first, out last week, presented a complete analysis of state regulatory requirements. A second report will cover the present use of highways and will be based on surveys by the Public Roads Administration in cooperation with state highway commissions. A third report will discuss safety factors—the effect of height on the center of gravity, the effect of length on curves and on passing.

Finally, the ICC will submit to Congress its recommendations for any legislation deemed advisable. The Commission was instructed by Congress in the Motor Carrier Act of 1935 to investigate the need for federal regulation of weight, height, length and load limits. The law was ambiguous on whether the Commission should impose such regulation or report back to Congress. The Commission has adopted the latter course.

The National Highway Users Conference ignored Ickes' blast but American Trucking Associations, Inc., chided him for making a statement unbecoming a member of the cabinet.

### Bus Revenues Rise

**CALIFORNIA** TRANSPORTATION companies have found smoother highways in 1939 and are speeding uphill to higher revenue levels according to preliminary studies for the first nine months of 1939. Measured by passenger-revenue-per-road-mile, intercity companies show a 33.45% gain over the first nine months of 1938.

Not to be left far behind, city and suburban companies show a 32.25% gain over last year's period, while city companies also show an increase of 3.20%.

Third-quarter figures for 1939, from July to Sept. 30, reflect the same rise. The survey reveals that the passenger-revenue-per-road-mile of intercity companies increased 27.13% over the same quarter in 1938; city and suburban companies have risen 41.44%; city companies increased 4.88%.

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The San Francisco waterfront was tied up again last week. At a mass meeting held under the auspices of the Chamber of Commerce, San Francisco employers explained why. James Reed, president, Associated Distributors (warehouses); Almon E. Roth, president, San Francisco Employers' Council; Marshall Dill, president, Chamber of Commerce; and Roger Lapham, chairman of the board, American-Hawaiian Steamship Co. went into this huddle before

they told representatives of 65 northern California farm communities at the meeting only a strike of ship clerks was preventing loading of farm products on ships. Main reason is that the powerful longshoremen's union (C.I.O.), led by Harry Bridges, refuses to go through the checkers' picket line. Principal strike issue is whether checkers shall be chosen by the employers (as they have been) or hired through a union hiring hall system as longshoremen are.

## LABOR & MANAGEMENT

INDUSTRIAL RELATIONS • PERSONNEL • EXECUTIVE POLICY

### Coast Farmers Map War on Unions

**Large-scale producers determined to break waterfront blockade. Rip-roaring uprising expected at convention in Stockton. Senate hearings start.**

CALIFORNIA's large-scale farmers and allied business interests were working up a high temperature this week which will probably continue to rise until it reaches fever heat at the annual convention of the 20,000 members of the powerful and aggressive Associated Farmers in Stockton Dec. 7.

The events contributing to agriculture's high blood pressure include:

(1) A strike by ships' clerks (a Harry Bridges unit) which got under way in San Francisco about mid-November has effectively prevented loading of farm products aboard ship there.

(2) A "hot cargo" dispute last week on the Metropolitan Oakland waterfront forced exasperated growers to ship 128

carloads of perishable pears by rail at added cost to the nearest open port, Los Angeles. The farmers involved came within an ace of moving in on the Oakland docks to load their own fruit.

(3) A mass meeting was held in San Francisco last weekend, under auspices of the Chamber of Commerce. Representatives of 65 farm communities of northern California heard Almon E. Roth, waterfront labor veteran and president of the San Francisco Employers' Council, light into Harry Bridges and associates as responsible for continual waterfront turmoil and the blocking of the farmers' cherished road to market.

(4) A hot meeting of the Associated Farmers took place in San Francisco last

Monday, a kind of dress rehearsal of the Stockton convention, in which the embattled growers discussed ways of removing the waterfront blockade.

(5) In Los Angeles, on Nov. 24, the first of a series of preliminary hearings in the long-awaited La Follette Senate Civil Liberties Committee investigation of the Associated Farmers and 25 other major West Coast employer groups got under way. Sen. Elbert D. Thomas presiding and called for all records back to 1933, especially any blacklists of cannery and farm workers. Witnesses denied such lists were ever made, said they couldn't produce all records of union dealings, for many were oral.

(6) The La Follette committee announced that activities of the Associated Farmers in the recent strike of cotton workers in the San Joaquin Valley of California would be investigated at the San Francisco hearings scheduled to begin Dec. 4. Sen. Robert La Follette will be on hand then.

#### Some Want "Direct Action"

The Associated Farmers conclave in Stockton next week will be staged as a rip-roaring uprising by California farmers in protest against interference of unions (particularly the Harry Bridges group) in harvesting and marketing of Golden State crops. Echoes of the explosion may reach even to Washington.

Incidentally, the velvet glove which has been drawn over the iron hand of the Associated Farmers under the streamlined régime of President Holmes Bishop and Executive Secretary Harold Pomeroy (BW—Aug 12 '39, p. 32) may be removed as a result of the Stockton meeting under pressure of the "direct-action" advocates, and the organization may return to the more combative tactics instituted by Col. Walter Garrison, who was deposed as head of the organization about a year ago.

The Associated Farmers have had their share of labor battles this year (the cotton strike in the San Joaquin Valley and a peach pickers' strike in Yuba and Sutter counties are prominent examples), but they've been handled with a finesse which doesn't make headlines.

#### Checking Up on Them

Start of the long-delayed La Follette hearings hardly could have been better timed. With a new lease on life supplied by a \$50,000 Senate appropriation, the committee, if it hews to the line originally laid down, will try to discover whether any of the 25 West Coast organizations, singled out for attention have infringed on the civil liberties of any citizen in the course of their labor relations activities. Last fall, executives of the groups under scrutiny were commanded to submit to the committee everything except the knobs of their office doors. The subpoenas ran to 2,000 words and nearly every word called for



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the producing of one thing or another.

The probable trend of the investigation is indicated by the demands for all records touching on "employment of the group, or of any private detective agency, or by any person in its behalf" for the purpose of: (1) discovering the personal life or habits of any person or his affiliation with any labor or political organization; (2) investigating any union organizer; (3) "strike-breaking" activities; (4) guarding plants during labor disputes.

The committee also intends to discover

how each of the organizations went about deputizing persons as deputy sheriffs, during labor disputes (if they had) and whether aid was given peace officers by supplying arms. Each group also is supposed to furnish records explaining who are its members and how it is financed.

Coast business generally feels that, if the investigation were to be conducted impartially, with plenty of opportunity for the 25 organizations to tell their stories and defend themselves, the inquiry would have a salutary effect.

## Diamond Strike Mars War Gains

**U. S. chance to become center of cutting industry as well as world's largest market suffers, as skilled workers tie up shops controlling 90% of business.**

WHEN AN INDUSTRY gets big enough to have a strike it is getting along in the world. New York's diamond cutting business achieved this melancholy distinction last week when the first strike in its history was put into effect. Some 250 workers (cutters, polishers, sawers) comprising the Diamond Workers Protective Union of America, an A.F.L. affiliate, demanded pay increases of 10 to 25%. Twelve small shops met the union terms but most of the big shops, handling some 90% of the business, were tied up.

The union claims domination of the New York industry through a membership of 300 out of 350 skilled workers in all shops. Wages of around \$75 a week are reported by employers but the workers contend that for 20 years average employment has been 20 to 25 weeks annually. Shop owners say that the strike was encouraged by reports of much higher prices for diamonds and rumors of shortages. They assert that there is no threat of a shortage since imports have been unusually heavy and that price rises have been unimportant except in the case of small cut gems.

### An Opportunity for This Country

Outbreak of the strike spotlights recent reports that the war would drive much of the diamond cutting industry to this country. So far American shops have specialized in the finest work since high wages made it impossible for them to compete with notoriously low-paid European workers. Gaeq Gluck, manager of a South African diamond-finishing firm, said recently that the U. S. now has its chance to become the center of cutting as well as the world's greatest market.

Several diamond workers, newly arrived from Europe, have signed leases for New York apartments. They expressed themselves as fed up with the old countries' chronic unrest and said they were bringing over their families

with the intention of becoming American citizens.

The social range of the diamond is from one end of the scale to the other. They glitter uselessly on the bosoms of ladies at the opera; they toil usefully in the work-shops of the world. In practically all markets the shift to war conditions stimulates demand and prices.

### Nazis Cut Off from Bort

Diamond Corp., London, controls 95% of the world's diamond output. Since diamond abrasives and cutting edges are essential in tooling the hard steels which implement war, the outbreak of so-called hostilities in Europe was immediately followed by a British embargo on diamond exports. The object was to keep industrial diamonds (bort) from Germany. Alarm of other countries dependent on Diamond Corp. for supplies has since been allayed. It is understood that sales have been cautiously resumed, that shortly brokers and cutters can get their orders filled so long as they don't attempt to pass supplies along to the Nazis.

American users haven't worried much. The war broke just at the end of record importations of industrial diamonds. By the end of August this year more industrial diamonds had been brought into the country than for the whole of 1937 which had marked an all-time high in imports.

While the most dramatic increase has been in bort, importations of other stones also have increased greatly. In the first eight months of 1938 we brought in uncut gem stones totaling 57,983 carats, worth \$4,366,138; cut gems totaling 173,360 carats, worth \$9,405,470; industrial diamonds totaling 774,126 carats, worth \$2,473,845. For the first eight months of 1939 the figures were: uncut gem stones totaling 76,128 carats, worth \$4,481,045; cut gems totaling 315,379 carats, worth \$17,058,987; industrial diamonds totaling 2,904,192 carats, worth \$7,053,518.

Expanding machine shop use and war

expectations are principal factors in greater demand for industrial stones. War actualities will further boost that market. You can't make a motor for an automobile, a tank, or a plane without diamonds. Improved use of diamond dust in cutting and boring tools opens vast new horizons for bort and makes available stones that formerly were discarded.

#### Used in Steel Industry

The super-abrasive is needed to cut and shape hard alloy steels. As demand rose, good industrial stones became scarce, especially the tough, black, Brazilian carbonado which for a time was practically cornered by a group of traders. To overcome the shortage, toolmakers developed new methods of employing diamond dust. Powdered metal is now impregnated with diamond dust or crystals to form the business edges of drill bits and grinding wheels. Plastics are similarly used with diamond dust. The result is cheaper and faster work.

While low-grade gem stones have been diverted from their frivolous destiny, to industrial employment, other war factors have made themselves felt in the jewelry field. New York has seen a price rise of 15 to 30% in the price of melees. These are the small cut stones used as mass settings in bracelets and such. Most of the cutters in Holland and Belgium are young men since the work is too fine for old eyes. It is estimated that 40% of these workers have been drawn into the precautionary mobilizations of the Low Countries with a corresponding reduction of output. And exports of German melees have been cut off.

Importations of fine gem stones have been affected by unsettled European conditions.

#### Public Relations



The Decatur Casting Co. holds open house and 2,200 visitors to the Decatur, Ind., plant finish a good-will tour (Nov. 22) by telling 3,000 others all about it on company-stamped postcards.

ditions but nobody can say to what extent.

The retail situation and prospects are summarized thus by Sydney H. Ball, New York diamond authority:

"Diamond stocks in this country are considerable. Retail sales for the first half of 1939 were slightly better than for the same period last year. June and July sales jumped ahead of last year by about 12%. There has been a slight price increase for large fine stones. Retailers are expecting a good Christmas demand."

#### C.I.O. Signs Builders

**Agreement with employers in Washington fixes scale about 75% of that enforced by A.F.L.**

C.I.O.'s CONSTRUCTION Workers' Organizing Committee signed its first labor agreement with an organization of employers last week. The contract, made with a new District of Columbia group, Construction Industry Employers, Inc., provides for a wage scale about 75% of that enforced by the A.F.L. building trades unions on the rather small percentage of Washington construction which is on a union basis.

The work is to be organized on an industrial basis—all crafts belonging to the same union and the employer being free to shift men from one job to another so long as the higher of the scales involved is paid. C.W.O.C. has a few contracts around the country with individual employers, but no other with an organization. C.I.E., the employer organization, has about 30 members, mostly house builders and subcontractors. Its president, Richard W. Frey, is a speculative Washington house builder.

#### Compromise Results in New Rates

The new contract provides for a five-day, 40-hour week with a wage of \$9 per day for most of the crafts; exceptions are the boilermakers and ironworkers who receive \$12 and the elevator constructors who get \$10. Scale for common labor is \$4, for teamsters \$4.80, and for helpers in the various crafts from \$5 to \$7. A.F.L. scales for the skilled trades in Washington run \$12 to \$14 for an eight-hour day.

The rates, according to C.W.O.C. Chairman A. D. Lewis, were arrived at as a compromise between the A.F.L. union rates and the rates currently prevailing on unorganized work. Asked whether contractors dealing with the C.I.O. do not risk trouble with the A.F.L., Lewis pointed to provisions he considered very favorable to the contractor and asked whether contractors had ever got anything without fighting for it.

The present agreement, which Lewis says is typical of arrangements he hopes to make throughout the country, incorporates the closed shop and the check-

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off. Overtime provisions are conventional except that in emergencies multiple shifts are permitted at time and one tenth for the extra shifts. Strikes are forbidden throughout the 18-month life of the contract, and compulsory arbitration of disputes is required. Right of the employer to discharge for cause is guaranteed. Foremen must be union members and must be paid a dollar over the scale.

An apprenticeship system, administered by a committee of three union men and three employers, is included in the contract. Apprentices, who must be under 24 years old, serve a four year term at a wage increasing gradually from 30% of scale during the first six months to 85% the last six months.

There is nothing in the contract, according to Lewis, to interfere with the free adoption of new methods or materials. His group, he says, was long ago compelled to recognize that it is impossible to prevent technical advance.

### LABOR ANGLES

#### Three-Month Truce

HOLLYWOOD's embattled stagehands union came off with the honors in a tussle with the movie producers last week, when a 10% wage increase was granted to some 35,000 studio technicians at the 11th hour of a strike call. The film companies now are perfecting a "united front", however, and have warned the A.F.L. unionists that another discussion will be held next Feb. 15, when the economic justice of the raise will be reviewed. Neutral observers are interested in the trouble which William Bihoff, the union's czar, is having with the law on old charges of pandering in Chicago, and expect this to have great bearing on the morale of the union.

#### No Perpetual Contracts

NEW YORK's state labor relations board, in ordering a laundry workers' election between A.F.L. and C.I.O. unions, has held that no union can gain perpetual bargaining rights through a labor contract. In this case, the C.I.O. has had a closed-shop, exclusive contract since August, 1937, but the A.F.L. claims to have 137 of the laundry's 220 workers signed up for a switchover. The employee election should settle the matter in a democratic and fair manner, says the board.

#### Railroads Win

RAILROAD UNIONS took a beating, and roads operating in Pennsylvania won a major victory, when that state's Supreme Court killed the 1937 "Full Crew" act this week. Stopped by injunction, the law would have required an extra brakeman on every passenger train of more than five cars and every freight train of 50 cars, at an annual cost estimated from \$3,000,000 to \$4,500,000.

## PRODUCTION

PRODUCTS · PLANT · PROCESSES

### New Process for Metal Coatings

**Kinkead methods will be used by Carnegie-Illinois Steel. Technique expected to have wide use for roofing, rails, or wherever hard wearing-surface is needed.**

ADD TO THE LONG LIST of processes for coating metals with other metals—hammer-forging, electroplating, welding—the new Kinkead process for alloying the surfaces of carbon steel sheets and shapes with coatings of stainless steel or other metals.

Robert E. Kinkead, Cleveland consulting engineer, developed it. Carnegie-Illinois Steel Corp. (U.S. Steel subsidiary) of Pittsburgh gets the first production license. United Engineering & Foundry Co. of Pittsburgh gets exclusive rights to manufacture process equipment.

Briefly, the process consists of fusing any one or more of several metals into the surface of an ingot or slab of steel by means of a carbon arc. In the typical case of alloying a 17% chromium surface, a predetermined amount of powdered ferro-chrome is sprinkled on a slab. Furnace slag is sprinkled on that as protection against oxidation. Heat from a carbon arc fuses the metals, and a special acid bath removes scale before the slab goes on for final processing in the rolling

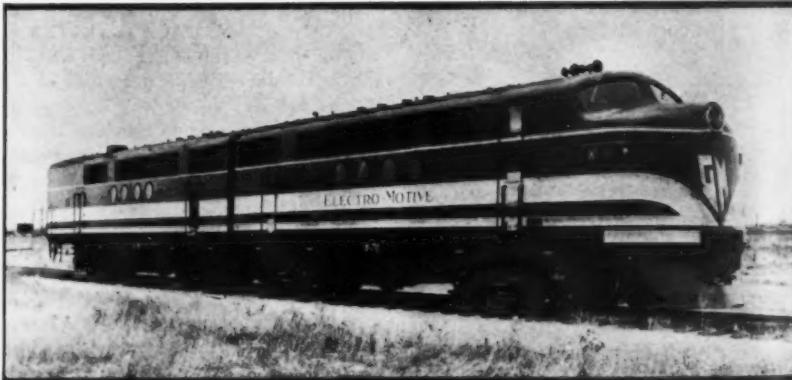
mill. Procedure for alloying an "18-8 stainless" surface or one of molybdenum or nickel or titanium or silver is practically the same.

Although the resultant sheet or shape will have a dense protective coating of practically any thickness desired up to 10% of the thickness of the composite metal, it is not the idea of the backers of the process to compete with the "cladding" process of welding sheets of stainless or other metals to sheets of carbon steel. Markets aimed at are those now occupied by tin plate and galvanized sheets and plates. Big things are expected of steel roofing protected by stainless steel and food containers of similar construction.

#### For Kitchen Equipment, Too

Equally big things are expected from the economical production of hard-wearing surfaces on railroad rails, which must be tough enough to withstand service shocks and hard enough to checkmate abrasion. In particular, it is thought

### For Fast Freight Service



**Electro-Motive Corp., testing its first diesel-electric locomotive in through-freight service last week, cut 2½ hours from the schedule of a regular steam locomotive running between Chicago and Willard, O.—a distance of 278 miles. The new locomotive can haul a train of 40 cars, weighing 2,000 tons, at a 55 m.p.h.-clip along a level track. Tests continue on the Baltimore & Ohio's tracks while the 2,700-h.p. giant is joined by a twin, and the two engines try their strength, coupled to one train. After the B. & O. tests, there will be performance tests on other roads.**

**Debut**

General Machinery Corporation's newest "Hydro-Motive", a 44-ton swivel-truck type, diesel-hydraulic locomotive, was demonstrated this week to railroad officials at Davenport, Iowa. Main feature is the hydraulic transmission, which eliminates a clutch lever and many gear-shifting operations. In the absence of mechanical connections, the diesel engine can be brought up to full speed to start with no possibility of damage from over-load.

that the heads of rails for use on curves could be alloyed by the Kinkead process without unduly disturbing normal mill procedure.

It is thought, too, after considerable experimentation, that the new stainless steel "composite metal sheets" will work out well in the manufacture of kitchen equipment. So far there has been little difficulty in making the necessary "deep draws."

All of the mill problems of rolling, heat treating, and pickling cannot be entirely foreseen, because the composite material has not yet been produced on a commercial basis. Special equipment required will be the carbon arc machine for fusing alloys plus certain special acid and annealing equipment which is not used in the production of carbon steel. The speed with which the surface may be alloyed appears to be limited only by the amount of heat which may be applied safely to the metal.

From experience up to the present, Mr. Kinkead believes it is safe to say that "2% depth of alloy on each of two sides of an ingot can be applied at the rate of a ton of the composite every sixteen minutes with one machine." In other words, it will take approximately two minutes to fuse ten pounds of alloy.

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be fabricated, it is expected that some of the problems of fabricating tin plate and galvanized will be encountered. Sheared edges, for example, will present the same old problem. The new material, however, has the advantage of a high melting point of the alloyed surfaces not found in coatings of zinc, lead, or tin.

Although spot welding and roller seam welding appear to be feasible, modifications may be necessary in the high-speed soldering operation used on automatic can making machines. Only full-scale production and fabrication of composite metal can tell the whole story, and Carnegie-Illinois is not inclined to hurry either production or distribution.

## Tin Refining for U. S.

Domestic smelters enter the picture as plans are laid to wrest market from London.

FIRST STEPS have been taken in the last few days toward setting up a tin smelting industry in the United States. Both Phelps Dodge and the American Metal Co. are operating smelters which are, at this stage of development, little more than pilot plants.

This country produces no tin, hasn't even any known tin deposits. We have to go half way round the world—to southeastern Asia—for most of our tin. And refining has in the past been done almost exclusively in Singapore, England, and Holland. Yet it has been argued for a long time that the United States should, for strategic reasons, have facilities for smelting tin. If there were smelters in this country it would be possible to draw on the most readily available source of supply and to be more or less independent of England and Holland.

The supply nearest to the United States is Bolivian tin. Heretofore, the Bolivian concentrates have crossed the Atlantic to London, been refined, and thence transshipped to New York. This seems awkward when it is realized that the United States uses as much tin as all the rest of the world combined. It becomes doubly awkward when London is more or less shut off by war.

### Learned about Tin in Last War

The United States had a large taste of the economics of tin in war during the World War. Prices rose to about \$1.10 a lb. American Smelting & Refining and National Lead erected smelters, at high war-time costs. These smelters, after the war, were none too economical. Besides, after the war, England took steps by tax and otherwise to drive the American smelters out of the tin business. The result was that A. S. & R. and National Lead not only stopped refining tin, but they aren't even interested in starting again at this time.

On the other hand, the two companies

now undertaking tin refining have gone into it after ample study. They have the most modern machinery. They haven't gone so far but what they could drop out if it were found unprofitable.

They have a further advantage. There is now an effort to modify the contract on the Commodity Exchange of New York to permit trading in standard tin (the type which would be refined in this country) instead of Straits tin as at present. The plan is to take the world's tin market from London while the London Metal Exchange is paralyzed by war measures (BW—Sep 30 '39, p 49). To do so would necessitate having a good source of refined tin in this country so that there couldn't be any "squeeze" due to lack of metal to settle contracts. And that's where domestic smelters enter the trading picture.

Meanwhile, the market for tin has gotten tighter again. The price ran up to 75¢ a lb. at the outbreak of war. Then American users of tin found they could buy direct from the Far East in ample quantities, and the price backed down to 50¢. Recently it has edged forward several cents due to the fact that producers aren't offering as freely as they were. It is probable, for one thing, that they have tightened up to see if they can't force the British authorities to raise the pegged price of £230 a long ton for the metal.

## PRODUCTION ANGLES

### World's Fair Wear Tests

INEVITABLY, PERHAPS, the New York World's Fair became a large-scale laboratory for testing the durability of various products. In the du Pont exhibit, for example, a synthetic resin varnish on a large mahogany disk was alternately chilled to -100 deg. F. with dry ice and then drenched with boiling water 40 times daily. Records show that the varnish lasted on the average for 42 days of such treatment, or 1,680 demonstrations, before showing ill effects.

Meanwhile, at the General Motors exhibit, more than 5,000,000 enthralled visitors sat on the edges of 300 conveyorized lounge chairs and were rolled around the Futurama. The upholstery material on the chairs, Collins and Aikman "Wolverine" mohair velvet, was still going strong when the fair recessed.

### Machinability Slide Rule

FINDINGS OF TWO YEARS of research on the machining of eight stainless steels—turning, forming, threading, drilling, tapping, reaming—are condensed into a new "slide rule" developed by Rustless Iron & Steel Corp., Baltimore. Set the slide to the desired stainless; data on speeds, feeds, and cuts of all six operations appear instantly. The reverse of the rule carries data on tool design, grinding, and coolants.

## NEW PRODUCTS

### Stereo-Tach

STEREOSCOPIC pictures, black and white or full color, can be taken easily when practically any modern hand camera is fitted with a Stereo-Tach. Commonwealth Mfg. Corp., 4206 Davis Lane, Cincinnati, makes the new device and a pocket Stereoscopic Viewer to go with it.

### Ideafone

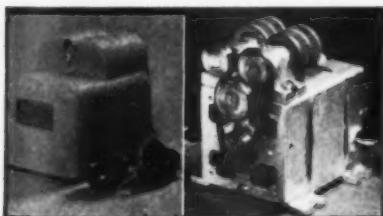
TO MATCH the suspended type of Bell telephone equipment which saves val-



able desk space, Automatic Electric Co., Chicago, is bringing out the Ideafone for quick and private intercommunication between two or more points. Power source may be either dry batteries or a battery eliminator.

### Electric Sharpener

FOR RECONDITIONING the carving knife for the Christmas fowl or for sharpening large quantities of knives used in production work, the Sharpmaster, manu-



factured by E. E. Krumreich, Box 767, R. D. 4, Akron, O., is equally efficient. The knife is drawn through a slot at the top of the device (left), and six aluminum oxide wheels (right) do the rest.

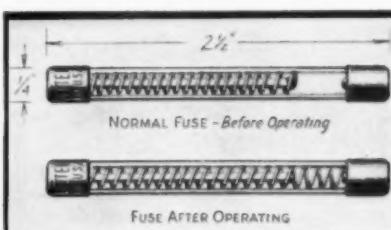
### Alarm Cable

STRING a strand of Protectowire Heat-Sensitive Cable over or through any location where there is a fire hazard, connect it to batteries and a bell or other warning signal. If temperature rises to 160 deg. F., a heat-sensitive insulation on the cable softens enough to permit the cable's two wires to come into firm contact, completing the circuit and sound-

ing the alarm. Protectowire Co., Hanover, Mass., makes the cable also to operate at 220 deg. in boiler rooms and similar locations.

### Sign-Saver Fuses

WHEN THE VOLTAGE on a neon sign becomes dangerous, a small arc within the Sign-Saver Fuse of Littelfuse, Inc., Chi-



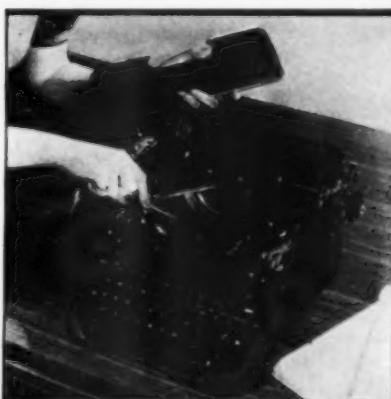
cago, melts a fusible junction and releases a shorting spring. The new device not only prevents further damage to sign and transformer, but indicates visually the location of trouble.

### Centrifugal Valve

JUST BEFORE the closing disk of the new Ostlind Valve descends into the valve seat, a little inbuilt turbine is actuated by the steam flow, spinning the disk at speeds up to 2,000 r.p.m. By centrifugal force, the disk throws off scale and other particles which might otherwise harm the valve seat. Ostlind Valve, Inc., Portland, Ore., makes the valve in sizes from  $\frac{1}{2}$  in. up.

### Newest Office Typewriter

OPERATORS of the new Remington 17 Standard Typewriter will be interested (1) in the "snap-off" top plate which eases the chores of type-cleaning and ribbon-changing, (2) in the "jam-trip"



device which quickly extricates type bars from collisions. Owners will be interested in 20 other new features developed by the maker, Remington Rand Inc., Buffalo, N. Y., to speed production and facilitate repairs.

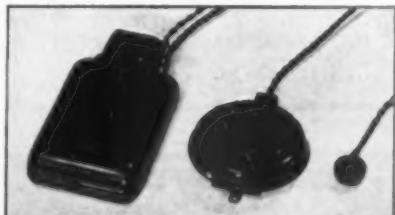
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Attorney

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## MARKETING

ADVERTISING · MERCHANDISING · SELLING

### New Citrus Products

Wartime market glut spurs research by Sunkist. Vitamin P may be introduced soon.

WHILE ORGANIZED food chains were attempting to stimulate consumption of citrus fruits by a special sales campaign (BW—Nov 18 '39, p36), California and Arizona growers were laying plans in Los Angeles to cultivate the domestic market more intensely and to speed development of by-products.

Besides cooperating with the national citrus merchandising committee, headed by Porter R. Taylor of the Agricultural Adjustment Administration, West Coast growers next year will undertake some intensive selling efforts of their own.

Paul S. Armstrong, general manager of

the California Fruit Growers Exchange (Sunkist) announced this week that his group will make a detailed market survey in three typical states to discover whether any bets are being passed up.

Sunkist researchers recently disclosed that 81% of all families in the United States use oranges and 89% use lemons, indicating, they say, that citrus fruits are being sold to nearly everyone with money to buy them.

From now on the Exchange will concentrate more on persuading present consumers to use more citrus products and seeing to it that prices don't reach levels which discourage consumption.

The Exchange's research department—set up 25 years ago—has paid more than \$8,000,000 in direct profits to growers in addition to building two large by-product plants near Los Angeles, at Corona and Ontario.

Importance of the by-products activities currently is that they absorb portions of the troublesome surplus. In the 1937 "freeze," for instance, many tons of fruit below the strict standards set up by Sunkist for marketing, but containing acid, oil, pectin, juice, and meal (and entirely wholesome when processed) were converted into marketable products. Sunkist figures that for every dollar of by-product sales, \$100 worth of fresh fruit finds a market.

### Industry Makes Use of Juices

Most recent line of by-products is citrus juices, some canned for consumers, but the bulk put up in special concentrations and blends for the beverage and dairy industries. Grapefruit juice is the most stable. Orange juice is canned with more difficulty. Lemon juice is the least stable of the three due to its high acidity and its flavor from oil in the peel.

Sunkist chemists now claim to have licked the problem of canning navel orange juice by eliminating the bitter element that distinguished it from Valencia orange juice. Practically all California orange juice now on the market comes from summer-grown Valencias.

When the by-products department was established in 1914, the first product was orange marmalade, soon abandoned because it took very little fruit and a lot of sugar and glass. Citric acid from lemons came next. It was developed to a point where it could compete with Italian imports on a price basis. Lemon oil was third, also competing with Italy, and it has completely displaced the Italian product.

Citrus pectin followed orange oil. Made from the white pulp of citrus fruits, its first commercial application was for jellies. Research opened profitable mar-

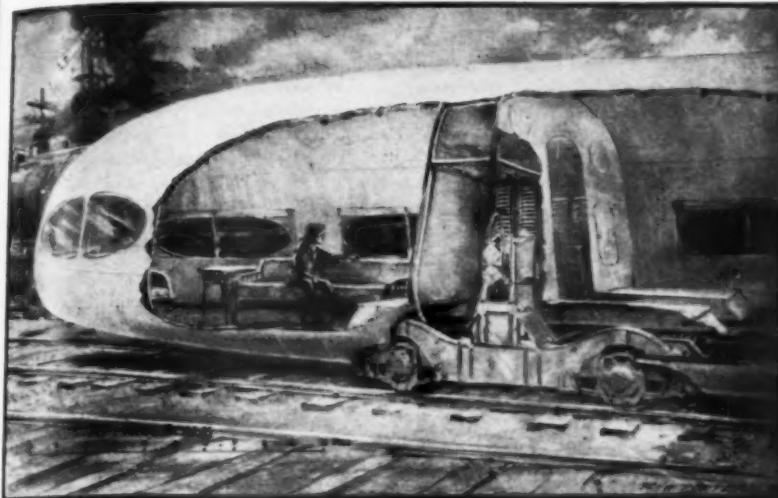
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**T**HIS modern, economical flooring is a scientific combination of asphalt, ground asbestos fiber and mineral filler. Very hard, dense and tough . . . its amazing wear-resistance has been fully demonstrated. CAREY Industrial Flooring provides a durable, smooth, safe trucking surface . . . a silent, resilient floor that contributes to the health and efficiency of workers. It is less susceptible to temperature changes than other asphaltic flooring—unaffected by fumes—vermin-and termite-proof—does not crumble under heavy traffic. When submerged under flood water, this flooring did not swell, warp, buckle, shrink. CAREY Industrial Flooring is made in convenient, standard sizes . . . Easy to lay by ordinary labor—easy to repair if damaged. Write for detailed information—address Dept. 29.

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## For Faster Schedules, More Comfortable Passengers



When the Santa Fe, the Burlington and the Great Northern railroads recently looked over this experimental coach, known as the Hill car, they were impressed enough to each order one built by the Pacific Railway Equipment Co. Instead of conventionally rigid construction, the Hill car rests on its four side bearings.

These are coil springs tall enough to support the car at a point above its center of gravity. So, on a curve, the bottom of the car swings outward like a pendulum, the top inward—and the passenger scarcely swings at all. Neither does he jiggle, for the coil springs smooth track irregularities out of the ride too.

kets in the candy field, recently developed a pectin product that adds creaminess to malted milks and soft drinks.

Recently disclosed was the value of pectin as a blood coagulant, useful in wounds and, perhaps, in hemophilia bleeding; also, to stabilize the barium sulphate used in digestive x-ray work and as a detoxication agent.

On the industrial front, Sunkist researchers have recently discovered that pectates, close cousin to pectin chemically, have applications in paper treating, in rubber production (for creaming latex), and in quenching steel more cheaply, and with less cracking. A dollar's worth of pectate will make a ton of inedible jelly for industrial purposes.

The Exchange may soon introduce a new vitamin to the American public, Vitamin P (citrin). Officials cautiously explain that its complete nature has yet to be definitely established, but various derivatives have been prepared from both lemons and oranges, and submitted for clinical use.

Citric acid, another best-seller by-product, is used in foods and beverages, lemon and orange oils for bakery goods, candy, beverages and flavoring. Sodium citrate, a new development, is used by the dairy industry.

Finally, the end product, the "squeal of the pig," is citrus meal, made from the dried peel and pulp, fed to dairy and beef cattle, poultry, sheep, rabbits and goats.

## FDA Truce Called

Makers of toilet goods are repackaging products seized in drive on deceptive containers.

HAVING DEVOTED its primary emphasis for several months to a seizure campaign against allegedly misleading and deceptive containers for toilet goods and cosmetics, the Food & Drug administration has let up to give industry a chance to repack its products.

Among the important toothpastes that have been seized, on the ground that the cartons give a wrong impression of the size of the tubes, are: "Iodent No. 2," "Pepsodent," "Ipana," "Listerine" (also shaving cream), "Forhans," "Kolynos," "Colgates," and "Sears." Most of these have been in the 10¢ size sold in variety and syndicate stores.

Other representative seizures include: 10¢-size powder boxes, for false bottoms and oversized tops; deodorants, for thick-walled and bottomed jars; two feminine hygiene jellies, for too-big cartons.

Although FDA called an armistice on seizures for misleading containers, it will step in when an alleged offender seems to be taking no action. This is made necessary by FDA's promise to all now engaged in repackaging that competitors will not be allowed to gain any unfair advantage.

Last week representatives of impor-

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### All Year 'Round!

Yes, this Autopoint pencil-and-knife set does a double job of winning friends and holding them. Both are gifts every man needs! And men will thank you more for Autopoints!—the Autopoint pencil with the Grip-Tite tip that holds even thin leads without wobbling, twisting, sliding or easy breaking; and Autopoint "one-hand-opening" knife. Many tested ways to use these gifts!—send for book of promotional ideas, "The Human Side Of Sales Strategy."

**Autopoint**  
THE BETTER PENCIL

AUTOPPOINT COMPANY Dept. BW-12  
1801 Foster Avenue Chicago, Illinois



tant brands of toothpaste—working together for the first time in the history of this competitive industry, through the Packaging Institute—met with FDA officials. Virtual agreement on new packaging plans was reported.

Generally speaking, the FDA will not issue any standards or tolerances for packaging, on the ground that the law does not give it any right to do so. All FDA will do is to give informally its opinion of what it considers a deceptive or non-deceptive package. The only real test is: Will the customer be deceived?

One tube was seized because it took up only 23% of its carton. Industry seems to have no quarrel with such seizures, and it appears that cartons will be cut down in all directions. The FDA also wants tubes to be placed in cartons so that the clip end (bottom) fits in diagonally rather than longitudinally. On this point there still remains some dispute. Industry claims that diagonal packing is o.k. when done by hand, but impractical when done by machinery. FDA believes it can be done by machinery but is willing to listen to evidence.

#### **Facsimile Might Help**

FDA has also promised that it has no intention of doing away with distinctive designs or *objets d'art* (perfume bottles), but is only after what it considers to be premeditatedly deceptive designs. As a means of getting around the problem raised by an oddly-shaped bottle or jar, the FDA has suggested that perhaps the printing of an exact facsimile of the bottle or jar on the carton would make it non-deceptive. But opal jars with too thick walls, bottles with too long necks, and all other kinds of containers with false bottoms or tops, are out.

While the heat is off packaging for the time being, the FDA will conduct a widespread survey of the cosmetic industry to see if it is complying with the label

principles laid down in a trade letter issued by FDA Chief W. G. Campbell in August. That letter announced that the FDA regarded as false and misleading, because of the impossibility of fulfilling implicit promises, certain cosmetic names and label statements based thereon. Some of these names were: eyelash grower, rejuvenating cream, skin tonic, wrinkle erector, muscle oil, and circulating cream. This work will take up the FDA's time during December.

## **New Ward Farm Line**

### **Mail order house will handle Avery implements in bid for bigger share of business.**

MAIL ORDER and farm implement news of the week is a deal by which Montgomery Ward & Co. will handle the complete line of B. F. Avery & Sons Co., Louisville manufacturer (no relation to Sewell L. Avery, Ward board chairman). Ward has long done less than its proportion of farm implement volume, now seems ready to go after the business.

Four years ago Ward signed up with Oliver Farm Equipment Co. for a broad line of farm machinery under Ward brands. To any farmer's eye this was conventional Oliver in all but name. The parts and their numbers were interchangeable. Principal difference: Ward prices were a bit lower, to the distress of Oliver dealers, who moved to other makers' lines in some numbers.

When Oliver terminated the contract, in 1937, total deliveries had probably reached \$1,500,000—so many implements that Ward's Fall and Winter 1939-40 catalog still lists some of the Oliver equipment. Ward has pretty much marked time while liquidating the Oliver-made inventory, filling in with lines from small manufacturers as the Oliver items

were sold out. With the Spring 1940 catalog, Avery items under Ward brand names will supplant the miscellany to the extent of the Avery line.

Avery was long best known as maker of tools for small Southern farms, but has broadened out. Five years ago the company landed the Co-Op Brand contract on a line including disc harrows, tractor plows, and corn planters for sale through Ohio, Indiana, and Michigan farm cooperatives. It also makes the implements for use with the Cleveland Tractor Co.'s Little General tractor. To compensate for gaps in the Avery line, Ward expects to buy several items elsewhere, at least for the present.

Ward's management is well aware that Sears has year after year rolled up surprisingly large volume on implements, with nobody knows what profit results. Its 100%-owned David Bradley Mfg. Co. produces a long line of tillage tools, both horse-drawn and tractor-drawn. Sears' principal purchases on the outside are a few tillage tools and Southern plow goods from small manufacturers.

### **Trend to Retail Store**

Farm equipment lines and merchandising methods of the mail-order houses are right now in transition. Horse-drawn equipment was small and involved less need for service, therefore could be sold more easily by mail and delivered by freight. Tractors and tractor-hauled machinery cost enough that the farmer wants to see them first and he wants quick delivery.

So trade and merchandising emphasis drift steadily from the catalogs to the retail store. Most spectacular example: Sears' Graham Bradley tractor, brought out with fanfare two years ago, sells well enough in retail stores, but so poorly by mail that the department omits it from the catalog and uses for store promotion the \$12,000 thus saved.

### **Avoid Earlier Plan's Drawbacks**

This trend gives greater importance to a Ward-Avery stipulation intended to avoid the troubles that plagued its Ward-Oliver predecessor. Ward will keep its Avery-made merchandise out of store competition in towns where Avery has established distribution. For practical purposes, this means that Ward gives up a share of the Southern market, which it has little of, anyhow.

Ward's dicker with Cleveland Tractor Co. for a full-sized tractor to compete with Sears' Graham Bradley is still in the hush-hush stage. Ward has quietly bought 25 Cletrac Little Generals, is pushing their sale in five or six of its better Middle Western stores. If the experiment works, look for Cletrac to produce a Ward special job with distinctive paint and radiator grille, maybe with larger differences. If the tryout flops, it should cool Ward's ambition to add farm tractors to its present line and volume.

## **Cooperative Billboard Advertising**



Something new in billboards makes its debut in Topeka, Kan. The sign advertises the IGA grocery chain, but a separate panel plugs some specific product sold in IGA stores. Man-

ufacturers of products plugged here cooperate in paying the rent on the sign, and all IGA stores feature the product in the panel. The panel is changed every three months.

## MONEY AND THE MARKETS

FINANCE · SECURITIES · COMMODITIES

### Pro and Con of Stock Prices

**Wall Street, recapitulating both sides of case, begins to wonder if it has not been underestimating the basic strength of market factors.**

ALMOST ANY PLACE west and south of Wall Street sentiment is better than in the nation's financial capital. Many industries—aircraft manufacturing, heavy electrical equipment, and machine tools for examples—will work at or near capacity for many months just to fill orders now on the books. And business men are a long way from sure that they agree with Wall Street's conservative—if not pessimistic—appraisal of the outlook for industrial activity and profits.

Not that business fails to perceive the difficulties to which it is now subjected and to which it will be subjected in the months to come. There is a complete realization of uncertainties as to taxes, the war, price levels, governmental restraints, and labor conditions. But there's no getting around the fact that most industrialists see their own companies operating at the best rates since 1937, many at the best since 1929, and a few at all-time highs.

It would seem, at the moment, that Wall Street is taking just a bit more of the industrialists' point of view than has been the case for many weeks past. Many leading brokers' letters in the last few

days have expressed a slightly more constructive attitude toward the stock market. Buyers have been nibbling in stocks, even though they were disappointed at the inability of the rise to carry through in late dealings on Tuesday and again on Wednesday.

There was distinct relief on Wednesday morning when company and union officials agreed on a new contract to end Chrysler protracted strike. It was the signal for Chrysler stock to open \$1.25 a share higher on the New York Stock Exchange Wednesday morning.

#### Each Side Can Put Up Argument

No one believes that the Chrysler settlement means the end of labor disputes. There still is no inclination to assume that war orders are going to create boom conditions in this country. There remains a strong case for the argument that there will be a recession in activity some time in the first half of 1940. Also, there is a trickle of foreign selling in the market most of the time—and it might increase on any important bulge in prices.

The bulls, however, feel they have an even more impressive case. Credit re-

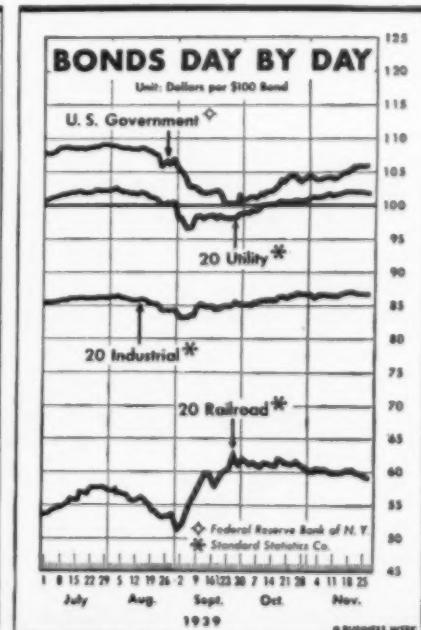
mains ample; the stock market is using little, commercial loans have risen but they haven't even dented banks' idle cash, and success of a couple of new bond issues this week spoke well for investment demand. Reaffirmation of steel prices has removed one unsettling factor.

Higher farm income, present and prospective, bolsters the business prospect. Payrolls are higher, and that money builds still stronger trade and industrial turnover. Despite much talk, there remains little evidence of over-expanded inventories. Commodity prices, after a corrective reaction of major proportions, seem to be nudging upward, indicating a pretty good secondary buying wave. And the industrial stock price averages occupy the second lowest relationship to industrial activity in about two decades.

#### How to Make Sure

One brokerage firm, summarizing conditions somewhat along these lines, recommended to its clients this week that they invest part of their available funds—same amount each time—every couple of weeks. "You will thus obtain a good average price whichever way the market goes," the letter says, "and will be assured of having a position when the current strong basic conditions assert themselves marketwise later on."

Backbone of the rise in grain prices has been British buying of grains in Canada. Wheat was conspicuous, but there were important export contracts for coarser grains as well. The rise of cotton in Liverpool, based on difficulty experienced by British mills in getting sea shipments, was reflected in American markets. But, largely aside from war influences, items like hides, rubber, and tin edged upward. Metal markets were steady, and the belief is that shipments held at a very high rate through November.



## Deficit Financing

**Morgenthau seeks to borrow half billion dollars of new money on 2% notes.**

THREE TIMES in recent weeks Sec. Morgenthau tested the market for government securities. First he refunded \$206,174,000 of government-guaranteed notes of the Commodity Credit Corp. (*BW—Oct 21 '39, p50*); then he refunded \$526,000,000 of Treasury notes (*BW—Oct 28 '39, p52*); finally, he offered for public subscription \$250,000,000 of Reconstruction Finance Corp. notes (*BW—Nov 4 '39, p39*).

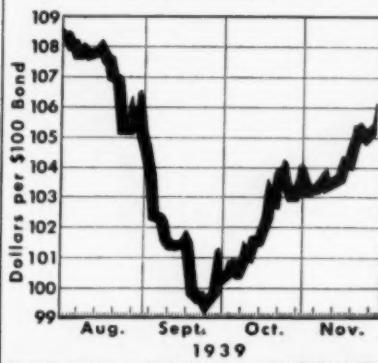
Each of these operations was a distinct success. Government bond prices continued to advance in the open market even while they were being concluded (see chart below). The rise in bond prices was accomplished, in fact, even though the Federal Reserve system was selling some of the \$400,000,000 governments it bought to bolster the Treasury's market upon the outbreak of the war.

Sec. Morgenthau was encouraged. Long-term government bonds had regained more than half the ground they lost in the scourge of selling during September. He got together with his Treasury advisers and the members of the Federal Reserve open market committee on Monday of this week and decided he could sell \$500,000,000 of 9-year to 11-year 2% Treasury notes. It was an operation he had been planning ever since last August to help finance the deficit—and in which he had been blocked by the war-inspired crash in bond prices.

So confident was the Secretary of the Treasury of the success of this half-billion-dollar "new money" issue that he announced he would undertake to refund, in about two weeks, \$1,378,364,200 of 1½% Treasury notes which don't fall due until Mar. 15, 1940. He also is to offer shortly \$50,000,000 to \$60,000,000 of Tennessee Valley Authority bonds.

## SNAPPY COMEBACK

U. S. Government Bond Prices



## Federal Reserve Bank on the Air



The 12 Federal Reserve banks have very few direct dealings with the public, and their operations are largely the concern of member banks and economists. But Earl Gammons (right), general manager of WCCO, Minneapolis-St. Paul radio station, figured the public should know more about them. He offered free radio time to John N. Peyton (left), president of the ninth district bank in Minneapolis, got George Grim (cen-

ter) of the *Star-Journal* to write some scripts. Mr. Peyton took "platters" to Washington and secured Federal Reserve Board approval. Idea is to humanize the bank's functions. First of eleven 15-minute programs, on Dec. 3, will tell about a run that took place on a small Minnesota bank during the World War and how a similar situation was averted by the Federal Reserve during this year.

## FINANCIAL ANGLES

### "Little" Banks Win

SIX MONTHS AGO the banks of Chicago's North Shore suburbs asserted the 1½% interest rate paid on savings by Chicago Clearing House banks was too high, so they slashed to 1%. (*BW—Jun 3 '39, p14*). Last week directors of two big Loop banks announced partial agreement with their North Shore neighbors. The City National and the Northern Trust have cut the interest on savings from 1½% to 1¼% under a clearing house recommendation which probably soon will take in most of the big banks.

### Disillusionment in Hogs

HOG PRICES in Chicago shot up from around \$6.50 to nearly \$9.50 a cwt. just after the outbreak of war. Opinion was that, while the United States probably couldn't compete with Argentine beef in Europe, American pork and pork products would sell to combatants. But there have been no such orders for pork, and the United States has extraordinarily large supplies. Moreover, Britain will

start to ration bacon on Jan. 8 rather than buy larger amounts abroad. Result was a top price of \$5.50 a cwt. for hogs on Tuesday, lowest since August, 1934.

### A Banking Economy

ANXIETY OF BANKS to cut costs is no surprise, and the feeling that duplicating examinations are a burdensome expense is well known. The New York clearing house members have decided to do something about it. They figure the Federal Deposit Insurance Corp., the national and state examiners, and the Federal Reserve can handle the periodic examinations, so the clearing house will discontinue its own.

### Branch-Banking Rumpus

WHEN the American Economists Council for the Study of Branch Banking was formed some time ago, headed by an advisor to the Giannini branch banking group, the anti-branch crowd howled loudly. At the end of last week, when the council presented one of its several reports, there was a new round of protests. "Mere propaganda for nationwide branch banking masquerading as a study," said New York's superintendent of banks, William R. White.

## BUSINESS ABROAD

FOREIGN TRADE · INTERNATIONAL AFFAIRS · FOREIGN INDUSTRY

### Economic War Begins in Earnest

**Allied blockade of all German exports imperils one-third of Reich's foreign business, but evasions are foreseen. North Sea and Baltic neutrals to suffer.**

ON MONDAY the world will have new evidence that this war is being fought mainly on the economic front.

Dec. 4 is the date after which the Allies will attempt to prevent all German deliveries to overseas customers. After Monday, German goods are subject to seizure, whether on German or neutral ships.

It is a drastic but not unprecedented move. The startling success of the German U-boat campaign, followed by the even more daring success in mining Britain's vital shipping lanes right up to the mouth of the Thames, precipitated the decision this early in the war. The Allied high command has decided that the strongest weapon to counter the German threat to Great Britain's control of the sea is to cut off, if possible, the Reich's exports as well as all incoming supplies.

Control points will continue to be at sea, Gibraltar, and in the North Sea. Any vessel caught carrying German goods will be forced to sail to some neighboring allied port and unload the contraband. There are to be no fines, and a guilty skipper, once he has handed over his German cargo, is free to continue on his voyage.

#### Possessive Menace to Nazi Trade

More than \$250,000,000 of German exports—one-third the country's foreign business in a normal year—are threatened by the new blockade. Added to the loss of trade with Britain and France—normally two of the Reich's biggest customers—it narrows Germany's foreign markets to neighboring countries which normally buy less than one-third of Germany's exports.

The United States is one of the export markets which will be lost—if the plan works. Actually, shipments to the United States have dropped to a mere trickle already because no German ships have sailed the route between German ports and the United States since the outbreak of the war, and American ships cut out their calls at Hamburg early in September. In October, only \$40,000 worth of German goods entered the United States, compared with nearly \$13,500,000 in October of last year.

Insiders who know that Germany is still selling France coke and that France is still selling Germany iron ore—both moving through eager dealers in neutral Belgium, declare that there are many ways for Germany to get around the new blockade. One is to ship semi-finished parts to neighboring neutrals who in turn will finish the goods and ship them as native produce—and be glad for the business in these troubled times. Another is to ship finished German goods to neighbors in the south and east who have rather indefinite regulations on "country of origin" markings. They in turn would export the items as produce of their own factories.

The same insiders know also that the most effective weapon will be an intensification of Germany's campaign against British shipping. They report that every possible shipyard along the Baltic is working day and night on new subma-

rines—some of them enormous, many of them midgets which can operate in only a limited area but are menacing because of their numbers.

Whatever the ultimate success of the British scheme, neighboring neutrals along the North Sea and the Baltic are going to suffer more than Germany at the beginning of the campaign. Denmark is in the most serious situation. Normally, a freighter sails from Denmark every day of the year loaded with bacon, and dairy products for Britain. Nearly 90% of Denmark's bacon, 80% of its butter, and 75% of its eggs go to England.

#### Danes Hard-Hit by Hostilities

Since Oct. 1, not a Danish vessel has been able to make the trips, and the three last vessels to attempt it were seized by the Germans. The 26,000,000 hens, nevertheless, go on laying eggs, and the 1,650,000 cows must be milked every day. Germany would like the food, but can't pay for it. And Denmark can't heat its houses with bacon, nor feed its cattle from home-grown crops. Nor can the Danes eat more than a small part of all they produce.

While the great powers fight it out in the North Sea, once-thriving Esbjerg along the Danish coast is languishing though its warehouses are bulging with the food the belligerents are battling to acquire.

Rotterdam, third port in Europe, sees its trade shrinking like ice in the sun. The economic battle front already extends far beyond belligerent territory.

### From Poland to the West Front



A load of tanks awaits shipment from Poland, across the Baltic to Germany's West Front. Because German railroads have been hopelessly congested since the conquest of Poland, nearly all fighting units are being

transported to the West by boat. A number of German ships tied up in the Baltic are finding work, and—since Germany controls the Baltic—without danger of attacks by British raiders or mines.

## Argentine Gesture

**Pro-British move seen as bid for better trade deals with both United States and England.**

ONE OUT OF EVERY THREE ships leaving Buenos Aires is bound for England with a cargo of Argentine products—mainly wheat, frozen beef and mutton, salted pork, or hides for the British leather industry. Coming back the ships are loaded with coal, machinery, railroad equipment and textiles.

Argentine exporters do no such thriving business with the United States, but this country is regularly Argentina's second customer.

This accounts for the surprise this week when Buenos Aires authorities publicly urged Argentine importers to give British suppliers a preference on all orders placed abroad.

Old timers, however, were calm when they heard the announcement. The Argentine, they know, is not in the same favorable position to bargain with Britain as it was in the last great war. Canada, since 1914, has upped its wheat crop so much that, with Australia, it could almost certainly fill all of Britain's demands.

### No. 1 in Wool

The British government has already contracted for the full wool clip of the Empire, thus becoming the world's No. 1 wool merchant and a dominant factor in the world's wool markets "for the duration." Argentine meat will undoubtedly be in demand in a long war, but a large fleet of refrigerator ships can keep up a steady supply from Australia if adequate convoys can be provided.

Favoritism for the British is nothing new in Argentina. Nearly three-quarters of Argentina's railroads are still owned and operated by the British who naturally place all their equipment business with affiliated manufacturers at home.

In addition, London shrewdly negotiated a trade agreement with the Argentine several years ago which provided for licensing of foreign trade, with Britain getting the lion's share of the business though theoretically it was to be no more than enough to balance British purchases in Argentina. Most seriously affected were United States exports, which were systematically pared down until they balanced our purchases in the Argentine.

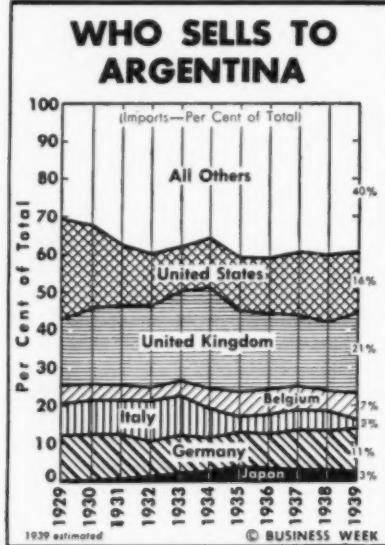
### A Play for British Market

Traders appraised Argentina's gesture last week in the cold light of business reality. Argentine officials are unquestionably bargaining for a better trade deal with both Britain and the United States.

The Anglo-Argentine trade agreement will soon be up for renewal. Britain's determination to buy within the Empire as far as possible during the war in order

to conserve foreign exchange is worrying the Argentine. At least until Britain's control of the seas is questioned more than it is now, and a convoy becomes necessary all the way from Australia and Africa to Britain, Argentina is going to make a play for the British market.

In Buenos Aires and Washington, experts are busy working out a new Argentine-American reciprocal trade agreement. Since Argentina is inclined to buy more in the United States than this country normally buys in the Argentine, Buenos Aires considers it good business



*Unless the Reich can break Britain's blockade, German exports to Argentina will dwindle to a trickle as they did in the last war. Britain is demanding that Argentina balance all sales to the Allies with purchases—now or later—of British and French goods. Italy is trying desperately to regain its old place in the Argentine market. Buenos Aires this week threatened to reduce imports of American automobiles unless the United States will buy more Argentine goods.*

right now to threaten to buy heavily from Britain.

But Washington traders weren't fooled. Watching the intensification of the German submarine and mine campaign against British shipping, they wondered how long British manufacturers would be able to maintain deliveries to the Argentine, or whether war risk insurance might not eventually wipe out the foreign exchange preferential held by the British. Argentina's own doubts were revealed in an order to American manufacturers for 200 railway tank cars, a query from the worried directorate of the government-controlled petroleum monopoly about the possibility of acquiring quickly a fleet of American-built oil tankers.

## What Russia Wants

**Finnish crisis prompted by strategic aims, but observers see important economic factors.**

Moscow (Cable)—Violent press attack against Finland this week preceded outright invasion in an effort to win Soviet territorial and strategical aims in Finland without war. Russians acquainted with the situation admit that economic cooperation with Finland on the basis of reciprocity is a vital factor in Moscow's recent bold maneuvers.

Russian newspapers have been skillfully publicizing the countrywide meetings expressing "anger, hatred, and indignation against the hired Finnish murderers who are fulfilling the will of warmongers [the 'Anglo-French Imperialists who are desirous of involving the Soviet Union in war.' ] Besides threatening the Finns, another grievous Russian need—increased industrial output—is given push. Numerous resolutions adopted by meetings, such as "Let's increase labor productivity," "We solemnly promise to speed up production in order to strengthen the defense of the socialist fatherland," and "Leningrad shipbuilders vow to augment the soviet fleet with record speed" get attention in the papers.

One slogan emanating from a women's meeting urged harder work and threatened the Finns at the same time: "Let us follow the wise policies of the Lenin-Stalin party and promise to work with special zeal when our husbands, brothers, and sons are on the battlefield."

### Soviets Eye Finnish Nickel

Despite Finland's small size—the population of Finland is about equal to that of the city of Leningrad—economic collaboration with Finland would be useful in more than one way to the Russians. The Finnish nickel production were added to that which the Russians are obtaining from the Monchegorsk nickel plant, the Russians would be free from dependence for nickel on the British Empire.

Economic cooperation with Finland would also give Russia access to Europe's greatest copper mine deposit, the Oulankampu deposit of 20,000,000 tons of ore. It now produces 12,000 tons of blende copper annually. Incidentally, this week the editorial organ of the Commissariat for Heavy Industry complained of the insufficiency of copper ore in Russia.

Also, the Finnish merchant fleet of 525,576 tons would be of great use to the overburdened Soviet fleet (1,200,000 tons). Another economic factor is the Russian plan to convert the great northern sea route into an important and regular all-year route by 1942. Murmansk is icebound for a part of the year and is still insufficiently developed for serving such a project. But just across the border is Petsamo Bay, which would be ideal.



## WAR BUSINESS

REGULATIONS • WAR ORDERS • TRADE CONDITIONS

### Allies Coordinating Missions Here

**Feverish activity marks week in British and French offices in New York, despite lull in placing of important orders. More steel and scrap wanted.**

In a week marked by the worst shipping casualties during this war, Allied buying missions failed to place any important orders in the United States though the British are inquiring for 200,000 tons of steel and scrap in addition to the \$15,000,000 placed last week. Nevertheless, there was feverish activity in the offices of both the British and French missions in New York. Arthur B. Purvis, until last week Director-General of the British Purchasing Commission in the United States, has been appointed Allied buying chief under the new scheme of coordinated economic control announced in both London and Paris last week.

The French mission will move next week from its temporary quarters, the executive offices of the French Line in Rockefeller Center, to permanent offices at 15 Broad St., New York City. M. Jean Frederic Bloch-Laine, ranking member of the French Purchasing Mission, will be in charge. The British will continue to function from offices in the British Consulate General, only a block away at 25 Broadway.

Purvis went to Washington this week for conferences with American War Department officials who have full records

of what war equipment American industries are capable of producing, what their current capacity is, and what volume of orders they have on hand. Before leaving, he told BUSINESS WEEK that the two missions would be completely coordinated before Christmas. Within that time, a number of experts who are on their way from Canada and Britain will be added to the staff here.

France and Canada continued to place machine tool orders but on a relatively small scale. However, there was significant news in the report that the French had contracted with a former automobile factory in Ohio to turn out shells at the rate of 6,000 a day.

#### Hitting an Early Peak

Canadian authorities announced this week that Dominion government buying of defense materials would amount to \$315,000,000 during the first year of the war unless present plans are expanded. This is almost as great as the Dominion's total war expenditures during 1917-1918.

An important part of the \$315,000,000 will be spent in developing the Empire air pilot training school, and most of the initial purchases of training planes will be in the United States in order to insure more prompt delivery than is yet possible in the Dominion.

Authorities estimate that so far during this war Canada has placed orders for barely \$50,000,000 of equipment or supplies. Of this amount, \$10,000,000 has been contracted with United States airplane companies, less than \$10,000,000 for equipment from Britain, and between \$25,000,000 and \$30,000,000 has been spent for supplies or for war construction in Canada.

### Howe Takes Reins

**Canada's Transport Minister now in charge of all war buying and building by Dominion.**

OTTAWA (Business Week Bureau)—Ministerial reaction to recent allegations of a lag in Canada's war preparations has produced a small but important shift in cabinet control of war business.



International  
Jean Monnet, French-born British  
economist, just named chairman of  
Allied Supreme Economic Council.

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## LOOK AHEAD

**Will business slump in the early months of 1940? Will war orders bring a return to boom prosperity? What is the outlook for a lasting labor peace?**

**Business Week's editors look ahead for the answers to these questions. They watch today's signs for hints of what's to come.**

**That's why active management executives read Business Week.**

## A-B-C of the Neutrality Law

### **Who are the belligerents?**

Belligerents are determined by Presidential proclamation. To date, the President has declared the following countries belligerents: Germany, Poland, France, Britain, and all their colonies, dependencies and dominions, except Eire.

### **What is the zone of combat?**

The zone of combat (Zone 1 on map) is proclaimed by Presidential proclamation and is an area in which American ships and American citizens may not travel. It may be enlarged or decreased, or a new area may be defined at the President's discretion. The Nov. 4 proclamation fixed the present zone of combat as the water surrounding England, Ireland, France, Holland, Belgium, southern Norway, Denmark, and all of the Baltic Sea.

### **What regulations are there covering sales to belligerent governments?**

The new neutrality statute demands, with a few specified exceptions, cash and title transfer on all sales to belligerent governments, to any political subdivision, or to any person acting for or on behalf of a belligerent government. This, with the Johnson Act which prohibits loans or credits to any country in default to the United States, complies with the popular demand for "cash on the dock" for all goods bought in this country by nations at war. Experts already claim there are many possible credit loopholes in the loosely worded Neutrality Act.

### **What are the regulations governing branch plants in belligerent territory?**

If the branch or subsidiary plant of an American company is legally incorporated in belligerent territory under the laws of that country, it is considered to be of the nationality of that country and title can be transferred legally to the subsidiary on goods shipped from the parent company in the United States.

### **To what ports in Europe may United States vessels still operate?**

To Spain, Portugal, Italy, Greece, Turkey, all Black Sea ports, Syria, Palestine, Egypt, Italian North Africa, Norway (from Bergen north), and to all Arctic ports.

### **Are there any restrictions on American sales to neutrals?**

The Neutrality Act itself puts up no restrictions whatsoever on sales to neutrals, either for cash or credit. However, the President's Nov. 4 combat zone declaration prevents American ships from traveling to several neutral countries of Europe (Holland, Belgium, and the Scandinavian countries) and shipments must in consequence be in non-American vessels to these areas but cash and title transfers are not required.

### **What are the credit limitations in the Neutrality Act?**

There are no credit limitations whatsoever on sales of non-military goods to private buyers anywhere. All sales to belligerent governments must be for cash and all sales of arms, munitions, and articles of war to belligerents must be for cash, whether to governments or to private companies. Despite the long Congressional debate, there is no reference to 90-day credit in the act.

### **On what shipments must title be transferred?**

Title must be transferred on all shipments, regardless of character, to all belligerent buyers (private or governmental), in the North Atlantic and the Mediterranean. Also, on shipments to all other belligerent territories (such as Malaya and Indo-China) if belligerent vessels are used, but not if shipment is made on United States or other neutral vessels.

### **What special regulations apply to Zone 2?**

American ships may sail in this zone (which is fixed by law and is not subject to Presidential discretion) but may not enter belligerent ports. All cash and carry provisions of Zone 1 apply to the belligerents in Zone 2. These include mainly the British and French possessions in the Mediterranean, though Syria and Palestine are specifically excluded.

### **What are military goods?**

Under Presidential proclamation as required by the Neutrality Law, military goods are "arms, munitions, and articles of war" actually used in fighting, and requiring an export license. They comprise seven categories including—broadly—rifles, revolvers, machine guns, shells, ammunition, cannon, grenades, bombs, war vessels, aircraft, aircraft

engines and assemblies, propellers, flame throwers, gases, powder and high explosives. The list is the same as was previously defined under earlier neutrality laws which demanded—and still do—an export license for every shipment going abroad.

### **What new documents are required for United States exports?**

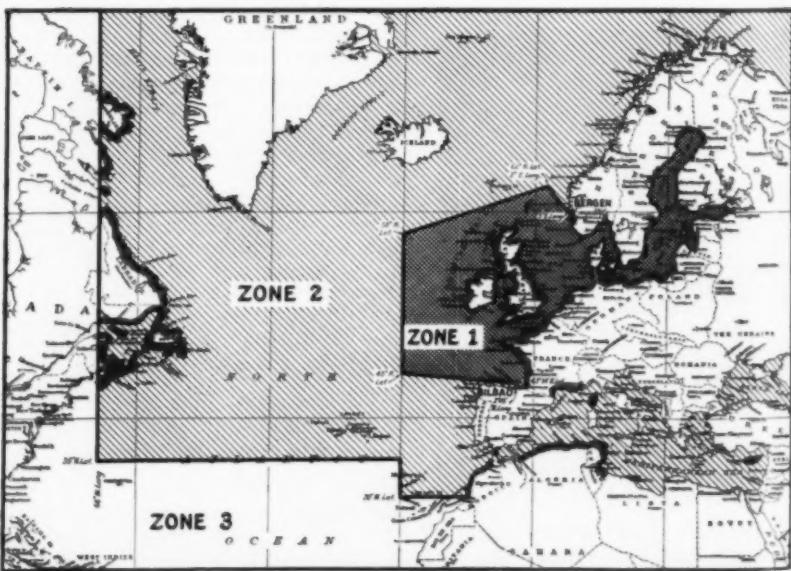
On shipments to belligerents requiring title transfer, a declaration under oath must be filed stating that "all right, title and interest" in the goods has passed to the foreign buyer. Unconditional bills of lading are required on title transfers. No new licenses are required on shipments of military goods.

### **Are there any restrictions on sales to Australia, South Africa, India, French Indo-China, Jamaica?**

These countries are belligerents, but are in Zone 3 (everything outside the restricted areas). Title transfer is not required if goods are shipped to them on United States or other neutral vessels. Cash is not required on private sales, but it is on all sales to governments. On all military shipments title transfer and cash payment are required.

### **How is business with Canada affected by the Neutrality Law?**

Special provisions allow for the unrestricted carriage of goods to Canada overland or through inland lakes. Title transfer or cash is not required on private sales. Cash is required on all sales to the Canadian government as well as on all sales of military goods to anyone. There are no restrictions against American ships operating in Canadian West Coast waters. On the East Coast, the only two important ports outside the restricted area and hence open to United States vessels are Yarmouth (Nova Scotia) and St. John (New Brunswick).



Final cabinet authority over Wallace Campbell's War Supply Board and all war purchasing and construction operations has been transferred from Finance Minister James L. Ralston to Transport Minister C. D. Howe.

#### *Division of Labor Carried Out*

The shift became necessary because of the damming up of plans in the office of the Finance Minister. Ralston, under the new scheme, is left free to attend to such matters as credits for Britain and Canada, repatriation of Canadian securities, and division among the Empire countries of the cost of the pilot training project. Howe, who is regarded by most Canadians as the No. 1 business mind in the Mackenzie King cabinet, becomes the government director of all other business transactions.

Howe is better known to many Canadians as an industrialist and engineer than as a government official. Before 1935, he built grain elevators in Canada and South America. Since becoming Transport Minister he has organized Trans-Canada Airways and the new central harbor control. He is also the government's representative on the control board of the Canadian Broadcasting System. Such purchasing and construction agencies as the War Supply Board will now get final direction and authority from him.

Americans and Canadians are both affected by rulings of the Foreign Exchange Board this week. Exporters, who are preparing to issue price lists for next year, have been ordered by the Board to sell their shipments to countries outside the British Empire either in the currency of the country taking the goods or in United States dollars.

#### *Gets U. S. Dollars for Purchases*

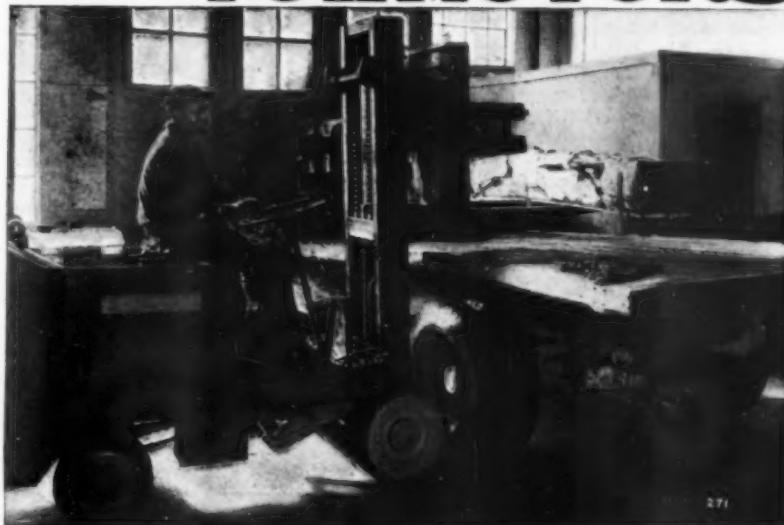
One of the first businesses to draw up price quotations for next year is the newsprint industry. Prices for the first quarter remain the same as this year, but since the quotation is in American dollars, on which there is approximately a 1% premium in Canada, the new schedule is equivalent to a 10% price advance in Canadian dollars.

The Asbestos Corp., which has become the chief source of supply for the United States, is also continuing prices at the same level for the first four months of 1940. In both cases, Canada will gain important quantities of United States dollars for purchases which will be made below the border during 1940. Control board authorities justify the move on the basis that it will help to steady the Canadian dollar.

For the last three months when exports were quoted in Canadian dollars, reigners frequently acquired Canadian dollars in the bootleg market at prices below the official exchange rate for the Canadian dollar. Ottawa is scheming to reduce these deals to a minimum.

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## The War Week in Business

### At Home

**War Orders**—The British quest for 200,000 tons of steel ingots and semi-finished steel has begun again, it is rumored. The order was withdrawn about two months ago (*BW*—Sept 30 '39, p48), after the buying agents were unable to get a satisfactory price.

A Japanese tanker sailed from San Pedro this week with 37,000 drums of airplane gasoline. Another shipment of similar size will be made this month.

Two Portuguese naval officers are inspecting American aircraft factories with an authorization to buy 12 bombing planes at \$75,000 apiece.

**Shipping**—American shipping is being reabsorbed into trade to some extent. Charters for 16 of the 90 ships laid up by the neutrality proclamation have been signed and it is understood that the Maritime Commission has decided to withhold 16 ships which it has occasionally chartered out in the past, until private companies have placed their boats.

The Port Commission of Seattle has asked the Maritime Commission for two refrigerator ships to replace the Empress of Japan and the Empress of Russia, two Canadian vessels which have been withdrawn from the Orient run. Apple and pear growers in the Northwest are anxious for adequate transportation to Far Eastern markets.

Because of the mine hazard, war risk rates on cargoes bound for the waters around the United Kingdom have been raised 30% to 80%, depending upon the route.

Two United States Lines ships, the Manhattan and Washington, may soon ply between New York and Italian ports—if the American Export Lines, which schedules trips for that area, agrees to the plan. The Maritime Commission is reported willing to approve such a move if no undue competition will result between the two lines.

Passenger and cargo bookings beyond Hong Kong on the Empress of Canada (Canadian Pacific Line) were canceled just before the ship sailed this week. No explanation was given for this unprecedented action. The ship may be used as a transport between Australia and England.

### War Toll of Merchant Ships

	Total Through This Week (87 Days)	Total Through Last Week (80 Days)		
No.	Tonnage	No.	Tonnage	
British .....	81	323,050	68	277,677
French .....	10	48,038	7	48,593
Neutral .....	48	168,655	44	137,439
Total .....	139	539,743	119	463,709
German .....	14	65,652	8	38,880
Grand Total	153	605,395	127	502,589

**Trade Conditions**—Rothschild and other London bankers have formed a group to finance British imports from the United States. The group will arrange with the British Stabilization Fund to release dollar exchange to pay

for goods here before shipment, as required under the Neutrality Law.

Branches of American banks in London have temporarily stopped purchasing and discounting British government securities, pending a Treasury Department ruling on such transactions. The traffic in British securities may come within the restrictions on American credits to belligerents.

It is understood that British officials have informed Ambassador Kennedy of England's intention to reduce its quota of purchases as established under the 1938 trade pact.

No overtures have as yet been made by either the United States or Japan to replace the present trade treaty which will expire Jan. 26, 1940.

**Mail**—The week-end clipper plane to Lisbon carried the largest mail load in transatlantic flying history: 4,079 lbs.—regular mail supplemented with Christmas packages.

A return to the 1914 system of ex-

council declaring Germany to be an outlaw among nations and making her exports subject to seizure (page 41).

Rationing of butter and bacon (four ounces of each per week per person) has been postponed until Jan. 8, because of the Christmas season. The Minister of Food has asked Englishmen to cut their sugar purchases to one pound per person per week, although sugar will not be rationed.

**Germany**—The 1939 grain crop of Greater Germany (not including the Polish portion) is estimated at 27,400,000 tons. This figure is above the 1932-37 average, but 2,000,000 tons below last year's bumper crop.

German war orders will be distributed among the largest possible number of manufacturers, according to the Ministry of Economics. Small firms were worried about losing out to the great industrial units. However, German industrialists will now have to carry the burden of compensating firms which do not produce war essentials and have been hit by the war.

A synthetic gasoline plant is being constructed and, although completion is not scheduled for two years, production is expected to begin before the end of 1940. The plant will have a 350,000 metric ton capacity. In 1938, Germany produced 1,500,000 metric tons of synthetic gas.

**Rumania**—A majority of the Rumanian cabinet ministers rejected a German proposal for a virtual monopoly over Rumania's oil and raw material exports and then resigned. George Tătărescu, pro-French, is Premier-designate, has formed a new cabinet.

**France**—Many military restrictions have been removed from the Riviera and from the French territory bordering Switzerland and Italy. Action was taken for convenience of prospective winter tourists.

A campaign has begun to raise French coal production 20% a year. About 30,000 extra miners will be hired, it is expected.

**Canada**—Export figures for October are a puzzle to Canadians. Exports to the United States increased 77.8% over October, 1938, exports to England decreased 30.6%. The reverse was expected.

**Italy**—Dec. 8 a limited quantity of gasoline will again be made available for private citizens. Motorists will be limited to eight gallons of gas a month, motorcyclists to three gallons.

**Japan**—Blockade of the British Concession in Tientsin has been eased by the Japanese. The State Department made a vigorous protest to Tokyo over restrictions on trade and shipments since many Americans live in the concession.

Air service between Thailand (Siam) and Japan has been announced by the Japanese Foreign Office. Regular service between Bangkok and Tokyo will be offered.

## THE TRADING POST

### St. Louis Talks Sales

In NOVEMBER 17th I was privileged to sit in on another of the Sales Executives' Conferences that are held annually by the Sales Managers' Bureau of the St. Louis Chamber of Commerce.

These conferences have been held for 13 consecutive years. They begin at 2 P.M. and run through until 9:30 or 10:00 o'clock. This year some 1,200 guests paid \$1.50 to attend the sessions, have dinner, and get a copy of the proceedings.

This was not my first participation in one of these conferences, so I had a fair chance to judge the continuing high quality of the program and the sustained interest of the customers. This year the speakers included Albert H. Morrill, president of Kroger Grocery and Baking Co., Oswald W. Knauth, president of Associated Dry Goods Corp., Veach C. Redd, hardware merchant, Cynthiana, Ky., G. Peed, vice-president of De Soto Motors Corp., and Col. T. Russ Hill, president of Rexair, Inc.

Thus the trends of sales policy and selling practice were reviewed by men of standing in fields as diversified as automobiles and household appliances, chain stores, large city and small town stores.

The St. Louis Chamber of Commerce takes this business of selling quite seriously, and year after year it does a fine job for its business community in sponsoring these conferences. This year Henry Reinhardt, of Frank Adam Electric Co., president of the Sales Managers Bureau, and he and his associates turned a conference quite in line with the high standard already established.

In many cities, sales management clubs, under one name or another, are doing much to keep the sales thinking of their communities abreast of modern trends. Some of them are closely affiliated with their local chambers of commerce or boards of trade, but in St. Louis the bureau is definitely a part of the chamber of commerce. This insures an intimate tie-up with the overhead management of St. Louis business; and that is necessary if selling and sales promotion are to take the part that is cut out for them in the business picture.

It is worth noting that the *Sales Management Cup*, awarded annually by that magazine to the club affiliated with the National Federation of Sales Executives adjudged to have done the most to help salesmen, was awarded last spring to the St. Louis Sales Managers Bureau. Rounding up the effort it puts into its regular meetings and annual conferences, it is not difficult to understand why its efforts are so helpful to the salesmen on the firing line.

W.T.C.

### Waiting Time

A FEW WEEKS AGO I quoted a sales manager who had warned his salesmen against wasting time talking war when they might be earning commissions. Now comes a salesman who says that's all right as far as it goes, but it doesn't go far enough. "What about the waiting time?" he asks. "How about going in to see a purchasing agent, plant manager, plant engineer or somebody else and having to wait anywhere from twenty minutes to an hour. Yesterday, I waited three quarters of an hour to see a fellow. Figuring the way that sales manager does, at three cents a minute, I lost \$1.35."

"It's all right to talk about putting a man's time into constructive sales work, but something ought to be done about the bird who lets you sit outside and cool your heels until he gets good and ready to let you come in. One of the most expensive parts of sales work is the sitting around and waiting to see your man."

I'm afraid that's true. But "waiting time" always will be one of the liabilities of selling by personal contact. That is one of the many reasons why progressive business uses advertising in one form or another. Advertising provides a vehicle through which to make many contacts at very low cost with buyers who are difficult or impossible to reach in person. Thus it becomes possible to make up for some of the time the salesman necessarily must lose, waiting for the chance he needs to do his very essential stuff. Only when he knows that his advertising is working for him can he relax and put in that waiting time cheerfully.

### Art, Trade and Traffic

ONE NOON not so long ago, I landed at the 30th Street station in Philadelphia and took a taxi headed for Broad Street. In just about a minute we were up to our ears in traffic—long waits and trifling progress.

"Pretty badly tied up today," I hazarded to the driver.

"Yes," he replied. "It's Friday."

I pondered that one for a minute but got nowhere. "What's Friday got to do with it?"

"Well, y'see," he exclaimed, "Friday is the symphony orchestra. All these people are coming into town in their private cars to the orchestra, so they get in early to do some shoppin' downtown. They kill two birds with one stone. So all this part, west of Broad Street is cluttered up with the traffic."

Suggestion for thesis for some business college student: "The Impact of Community Culture on Retail Trade and Urban Traffic."

### Business Week

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# BUSINESS WEEK

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December 2, 1939

## Two Sides to a Balanced Budget

IT WAS highly appropriate that President Roosevelt this week should have wrestled with the expenditure side of the federal budget at the same time Secretary of the Treasury Morgenthau was bringing out a \$500,000,000 issue of 2% bonds, which lifted the total United States debt to more than \$42,000,000,000—or within \$3,000,000,000 of the statutory limit.

Though there is nothing sacred about a statutory debt limit, it does represent a milestone in United States fiscal affairs and the approach to that figure presents a practical legislative problem. If it is to be exceeded Congress must provide the power to do so in the not too distant future; indeed, in the coming session.

At the close of the current fiscal year the Treasury will be within a billion dollars of the debt limit, and sometime early in the 1941 fiscal year—the year which begins July 1, 1940, and ends June 30, 1941—the \$45,000,000,000 ceiling will be hit. There is a slight—a very slight—possibility that the Administration could keep below the statutory top. And that is why President Roosevelt's meeting this week with Budget Director Harold B. Smith was significant, for the time is particularly propitious for a serious attempt to approach a balanced budget. On the revenue side of the ledger, the President is in a bull market. Business is at its best level since 1937, and tax receipts are bound to rise—even without a change in rates.

IT IS conceivable that on the current tax base, the Treasury's ordinary receipts in the 1941 fiscal year will surpass the all-time high of \$6,242,000,000 for the 1938 fiscal year (the year in which taxes were collected on 1937's big earnings). But even record high revenues will not come near balancing the budget unless something is done on the expenditure side of the ledger.

Some time back, President Roosevelt made the observation that governmental services had reached a new high plane—that it required \$7,000,000,000 annually to run the federal establishment. But in only one year of his administration (the 1934 fiscal) has Mr. Roosevelt kept expenditures within \$7,000,000,000. In the 1935 fiscal he came near it—expenditures amounted to \$7,010,000,000. Ever since, the expenditure side has been erratic and seemingly uncontrollable: \$8,666,000,000 in 1936 fiscal; down to \$8,442,000,000 in 1937, and \$7,626,000,000 in 1938; up to a new Roosevelt high—\$9,210,000,000—in the fiscal year which ended five months ago.

And now, another record Roosevelt budget is in the making. Expenditures in the current fiscal year will top \$9,500,000,000 (partly because of increased outlays on national defense). Receipts, because of bumper income tax returns on Mar. 15 and June 15, will approach \$6,000,000,000. But that would still leave a \$3,500,000,000 deficit, and would constitute a minor anniversary. It would be the government's tenth deficit year.

THE REAL PROBLEM facing Mr. Roosevelt, of course, is not that a decade of deficits is over, but that a new decade begins. And the decade starts when a combination of good business and judicious pruning of expenditures could produce a budget approaching balance. But pruning takes high political courage. The persistent expansion of expenditures, year after year, has established new budgetary high-pressure groups concerned with keeping expenditures high: farmers, WPA workers, even business men who supply materials and equipment for government projects. As with an individual, so it is with a government. It's easy to live beyond one's means, but it's hard to pull in the belt.

And so the deficit-spending habit is being rationalized: it's necessary to compensate for decreased private spending; or, the nation is oversaving, and government deficits are therefore a required form of dissaving. All of which is partly true. So for ten years we have condoned deficit spending, because they were unusual years—depression years—and the government had to do something about them.

But now business is good—and pruning would not be too painful. Hence, in his budget message to Congress this January, President Roosevelt might well consider expenditures in the light of probable income, rather than persist in the hope that the level of revenues will rise—eventually—to the level of expenditures. After all, there are two ways, as well as two sides, to a balanced budget.

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